

Japanese Industrialists Fearful on Economy

By Steven Brull
International Herald Tribune
TOKYO — Leading industrialists are privately warning that the Japanese economy is in far worse shape than believed and that a return to healthy growth — which the government contends is just six months away — may not come for years.

Until now, government and many corporate leaders have portrayed an economy that is ready to turn around next year, responding to economic policies already in place.

Yet some business leaders are now telling Prime Minister Morihiro Hosokawa and others in government that the economy is drifting and recovery nowhere in sight.

In addition to suffering from a cyclical downturn in global markets, they believe, Japan's businesses and economic institutions

need major restructuring to thrive in an era of slow growth and a strong yen.

"The status quo may continue for another year until we see some tragedies," the president of Honda Motor Co., Nobuhiko Kawasaki, said.

Walter F. Mondale, as U.S. envoy to Japan, makes his impact on trade questions. Page 5.

Most companies continue to act as if they believe the government's scenario for recovery and can avoid making major changes. The lack of bold action serves to prolong the recession and raises the risk, however small, that the economy will slip into a disastrous downward spiral that would have international repercussions, economists say.

Fresh evidence of the severity of Japan's recession surfaces daily. There are also hints that the lifetime employment system, a hallmark of labor relations and the chief barrier to more-rapid corporate restructuring, is straining at the seams. These were among the developments on Friday.

• The world's largest steel company, Nippon Steel Corp., said it would slash 7,000 employees, nearly one-fifth of its work force, over three years. The reductions, however, will be achieved through attrition, reduced hiring and personnel transfers to affiliated companies, methods that maintain the structure, if not the content, of the lifetime employment system. (Page 13)

• Nissan Motor Co., Japan's second-largest carmaker, reported that it had sunk deeper into the red in the first half of the financial year because of the yen's steep rise and poor

sales at home and abroad. It was the latest reflection of the worst downturn in decades for Japan's auto industry.

• Japan's biggest airline, Japan Airlines, reported first-half losses of 7.92 billion yen (\$73.3 million) and forecast even bigger losses for the second half ending next March.

It is imperative that the government take stronger action to stoke the economy and accelerate its program to deregulate and restructure the economy, economists say. Failure to act will prolong the recession and make the inevitable adjustment more difficult.

"If the economy continues to be depressed next year, many companies will be forced to take bold action in laying off workers," said Nobuyuki Ueda, head of international research at the LTCB Research Institute.

"We can't rule out the possibility that a

Frankfurt Wins Nod From Summit As Site for EC Bank

By Tom Buerkle
International Herald Tribune
BRUSSELS — European Community leaders agreed Friday to place a future EC central bank in Frankfurt in a move that underscored Germany's economic hegemony, but they offered few fresh ideas for curbing Europe's soaring unemployment.

The decision capped a meeting of symbols rather than action, and underscored the limits of European cooperation. The leaders sought to reassert their political and economic leadership by putting in place the Maastricht Treaty on European Union even while acknowledging that the long and divisive ratification campaign had isolated Europe's leaders from its citizens, and that the treaty's goal of a single European currency remained a distant vision.

"We want to create a Europe which is close to the people of Europe, a Europe which acts only where it has to act," said Prime Minister Jean-Luc Dehaene of Belgium, which holds the rotating EC presidency.

Jacques Delors, the president of the EC Commission, said the Maastricht debate was "a good thing" that had taught European leaders to "be more careful to explain" their actions.

The meeting took place against the somber backdrop of rising labor unrest touched off by an EC unemployment rate that is expected to rise from 10.4 percent today to a postwar record of 12 percent next year. Public-sector unions in Belgium's rail network Friday, while some 50,000 workers marched in the streets of Brussels to protest government plans to freeze wages and cut welfare benefits.

"The demonstrations we see in Brussels today are a sign that European politicians must take clear decisions," said Prime Minister Poul Nyrup Rasmussen of Denmark.

Prime Minister John Major of Britain renewed his demands for deregulation and free trade to restore growth and jobs. "We have to show our peoples that we are collectively addressing their needs," Mr. Major said. "And their highest need is to see all Europe moving out of recession, all Europe creating jobs."

But the leaders agreed to defer any serious discussion of Europe's ailing economy until their next meeting in December. The special one-day gathering, called on short notice following the recent ratification by Germany of the Maastricht treaty earlier this month, was aimed at sending an upbeat if vague message of solidarity.

"We will tell our people, 'Now the period of stagnation is over,'" said Dieter Vogel, a

spokesman for Chancellor Helmut Kohl. Ending the long uncertainty over the Maastricht treaty, he added, "will help us to overcome these economic problems."

The decision to put the European Monetary Institute, the forerunner of an EC central bank, in Frankfurt ended a nearly 18-month-long fight over the spoils of Europe's budding bureaucracy. Bonn had demanded that the bank be in Germany in order to ease the concerns of its citizens about giving up the Deutsche mark.

The only formal opposition had come from



President François Mitterrand and Prime Minister Edouard Balladur examining a box of Belgian candy in Brussels on Friday under the eyes of Chancellor Helmut Kohl.

A Lab Molecule Could Stop AIDS Virus

Potential French Breakthrough Awaits Testing on Humans

By Laura Colby
International Herald Tribune
PARIS — In a potentially significant breakthrough for AIDS treatment, French researchers in Marseille have synthesized a molecule that prevents the spread of the virus that causes AIDS, according to a paper to be published Saturday in the Journal of France's Academy of Sciences.

If human testing proves successful — and that will take at least two years to determine — the molecule could be used to prevent some HIV-infected people from developing full-blown AIDS. Or the molecule could stop the progression of the disease in people who have already contracted it, the researchers said.

The Marseille announcement comes only a few days after a team at the Pasteur Institute in Paris announced that it had discovered a second so-called receptor for the AIDS virus —

research that Dr. Luc Montagnier of the Pasteur Institute said could be complementary.

So far, no drugs are available that actually stop the spread of the fatal disease, only some that slow it down.

The Marseille research team, working under the auspices of the National Council for Scientific Research at the University of Aix-Marseille in the South of France, has created a synthetic polymer that it says "represents a new class of therapeutically useful anti-HIV agents" able to "neutralize" a wide range of strains of the virus.

"It is an important step toward getting to the bottom of the Acquired Immune Deficiency Syndrome," the CNRS's research director, Jacques Van Riethoven, said at a news conference in Marseille, according to an Agence France-Presse report.

"This certainly seems like an important observation," said Alan Kingsman, co-director of

the retrovirus molecular biology group at Oxford University in England, which is researching gene therapy applications for AIDS.

Calling the new molecule "a breakthrough," Jacques Fantini, who led the Marseille research team, explained that in vitro tests showed that the molecule was effective in preventing the spread of the virus in three key ways: In leukocytes, the white blood cells that are a key part of the body's immune system; in macrophages, a type of leukocyte that is often a vehicle for transmitting the virus to the brain, causing dementia, and in the surface cells of the intestines, another key point for the spread of the AIDS virus.

The synthetic molecule is a multibranched peptide, a type of protein, which acts to prevent the virus from fusing with a healthy cell.

"Some other people have used multibranched peptides before," said Dr. Montagnier. "But what is remarkable about this research is that the peptide seems to be highly inhibitory for the virus's infectiveness."

Dr. Montagnier said he foresaw possible correlations with the discovery announced this week by a team at the Pasteur Institute. The Pasteur researchers identified a new molecule, called CD26, that allows the AIDS virus to invade a human cell.

"One hypothesis is that these peptides block the binding of the virus to the CD26 receptor, which after the initial binding of the virus to the CD4 receptor allows the virus to enter the cell," Dr. Montagnier said.

"The Marseille researchers haven't yet shown that they block the virus's entry into the cell," he said, "but they have opened up a new avenue of research which we need to explore."

Up to now, the only treatments available for AIDS patients, like the drug AZT, act by stopping the virus from multiplying like a cancer. The Marseille molecule could prevent the virus from attacking healthy cells in the blood, brain and intestines.

Although the researchers were careful to caution against raising hopes that the discovery could lead to a drug that would be effective in treating the disease anytime soon, Dr. Fantini said initial tests on mice showed that the multibranched peptide would not be too toxic to use in humans. Clinical tests will begin at hospitals in London and Marseille early next year, he said.

'Legitimate' Algerian Terror?

Bonn Envoy Says Militants May Be in Right

By Steven Brull
International Herald Tribune
RABAT, Morocco — The German ambassador to Morocco says he thinks Muslim fundamentalists fighting the Algerian government might have right on their side.

The ambassador, Murad Wilfried Hofmann, himself a Muslim, said in a lecture in Rabat on Thursday night that the Islamic Salvation Front, the main Muslim movement in Algeria, could be the contemporary equivalent of the National Liberation Front, which fought French colonialism in Algeria from 1954 to 1962.

"Terrorism is legitimate in a war of liberation," Mr. Hofmann said. Terrorism was legitimate against French colonialists in Algeria, so fundamentalist terrorism could be legitimate against leaders who behave like the French did, he said.

There was no immediate reaction from Bonn to the remarks by the ambassador.

Algerian fundamentalists took up arms

against the Algerian security forces last year after the authorities canceled elections that the Islamic Salvation Front was poised to win. More than 1,500 people have since been killed in the guerrilla war between the two sides.

Mr. Hofmann, in his lecture on "Fundamentalism and Modernity," said: "The Muslim world was terribly humiliated by colonialism and frustrated by the failure of its efforts to copy the West."

Islam, he added, now plays a crucial sociological role by helping Arabs to "recover their identity and their glorious past" and to solve economic and political problems.

"At the present time, young Muslim men are taking things in hand," he added.

Mr. Hofmann, 62, a career diplomat married to a Turkish woman, embraced Islam in 1980 and took the Muslim name Murad. "My government theory is Islamic theory," he said.

Kiosk

New Ulster Peace Initiative Launched

BELFAST (NYT) — The prime ministers of Britain and Ireland put forward a new set of proposals Friday for peace in Northern Ireland, stating in effect that if the Irish Republican Army ceased its 25-year campaign of violence, there would be a place at a negotiating table for Sinn Fein, the IRA's political wing.

John Major of Britain and Albert Reynolds of Ireland, after a meeting in Brussels, said "new doors would open," and that their governments would "respond imaginatively" to a cessation of violence.

Such offers have been made many times, but this was the first in years made by the heads of government. It is based on a set of principles outlined Wednesday by Ireland. The plan is significant for its conciliatory tone rather than its specific proposals, which have been around in one form or another for years.

Money Report

Mutual funds go international; performance tables, absolute versus relative performance; school fee plans. Pages 18-21.

Book Review

Page 6.

The Boring Institute, Where the Greatly Overexposed Are Exposed

By Lindsey Gruson
New York Times Service
MAPLEWOOD, New Jersey — The Boring Institute is, well, aah — condescript.

But what comes out of its headquarters, an archetypal house on a tree-lined street in this suburban town, has become a staple on the entertainment food chain.

The institute's annual list of "The 10 Most Boring Celebrities" has reporters from London to Hong Kong clamoring for interviews with its somber, 56-year-old founder, Alan Caruba.

"I'm on radio somewhere in the United States or the world every single day of the year," he says matter of factly.

Mr. Caruba and his institute rocketed to national attention in 1984 when he exposed what he believes is one of the most carefully orchestrated charades in history: Macy's annual Thanksgiving Day Parade in New York.

The famous procession of oversized balloons and dancing girls may appear real to children, he acknowledges. But for parents and others, it might as well be a television test pattern.

So he wrote a news release and, to infuse it with ivory tower credibility, issued it under an authoritative logo.

"The Boring Institute has carefully reviewed and researched the Macy's Thanksgiving Day Parade and has concluded it is a video tape," it proclaimed.

His phone immediately began ringing. As the head of the Caruba Organization, a publicity agent by vocation if not by nature, he knew that he had hit a cultural nerve.

"I began thinking ahead," he recalls, almost by rote. "It's a time of lists: who's in, who's out, who's hot, who's not. It seemed to me the one really important list that was missing was the one of those celebrities who had received so much exposure that we were bored with them, even though we may have liked them."

His list, a snapshot of cultural excesses, was born. What began as a spoof has become an institution.

It is a clearinghouse for what Mr. Caruba, at least,

believes is the country's most ignored but prevalent malady: boredom and what he says is its "devastating" contribution to phobias and diseases.

"Boredom leads people to self-destructive behavior," says Mr. Caruba, who bills himself as the world's foremost and most dynamic authority on the syndrome.

"It's an early stage of depression, plays a significant role in crime — because a lot of crime is committed by kids who are often bored out of their brains — and in why people abuse alcohol and drugs," he says. "It's everywhere. It even affects infants. If they don't get enough stimulation, their

Beijing Seeks To Get Fiscal With Provinces

By Lena H. Sun
Washington Post Service
BEIJING — For the last few years, China's central government has watched from the sidelines as the provinces have grown rich under economic free-market policies. Now Beijing is ready to put in place an ambitious plan to regain some of the economic influence it has lost to the increasingly independent regions.

The centerpiece of the plan, to be unveiled at a Communist Party meeting next month, is an overhaul of the system by which Beijing collects taxes from the provinces, according to Chinese and Western analysts. Under the new system, the provinces would have to give more money to the central government.

Having more control over the purse is most likely to bolster the central government's ability to manage the economy and increase its political control over the provinces. Such a consolidation will become especially important for political stability once the nation's senior leader, Deng Xiaoping, 85 dies.

The economic package is to be announced at a meeting of the party's ruling Central Committee. The measures, including reforms in the banking, financial, tax and investment systems, are part of Beijing's efforts to tackle difficult changes that are urgently needed if China is to succeed in making the transition toward a market economy, according to Western economists.

The meeting will also provide a chance for

Satellite Still Up, The Chinese Insist

Compiled by Our Staff From Dispatches
WASHINGTON — In the annals of man-made ventures into space, there has been nothing quite like this.

The United States Space Command, which says it can keep track of faraway objects as small as a postage stamp, reports that its instruments followed a stricken two-ton Chinese satellite as it burned through the atmosphere and plunged into the Pacific Ocean 1,000 miles (1,600 kilometers) west of Peru.

"We saw it go up, and we saw it come down," Major Nelson McCouch of the Space Command said Friday.

But for reasons that neither the State Department nor the Pentagon entirely fathom, the Chinese persisted in disowning any connection with the fallen projectile.

The unmanned satellite in question is "definitely still up in the sky," said a spokesman at the Chinese Aerospace Ministry, who identified himself as Mr. Sun. "We can see it very clearly" from an observation station, he said Friday.

An official at the Chinese National Space Administration had this reaction: "Can the

STATE OF READINESS IN LITHUANIAN CAPITAL

— Government troops in Vilnius, lined up for the visit Friday of the Swedish defense minister, Anders Björck.

سكو من الأصل

STATESIDE / WHEN HOT TUBS SAVE HOUSES

Slums Not the Only 'Firetraps'

New Risk as Cities Sprawl Into Dry Scrubland

By Seth Mydans
New York Times Service

ALTADENA, California — In this city where the sprawl of Los Angeles meets the scrubland of the San Gabriel Mountains, exhausted fire fighters have been battling what experts call the fire of the future.

Employing everything from air assaults to precision crews on the ground clearing away brush, fire fighters have struggled since Wednesday to outrun hungry wildfires and outwit the changeable Santa Ana winds while setting up a fire line to protect homes at the city's fringes.

They have had to combine rural and urban fire-fighting techniques: to make frontal attacks on fast-moving and unpredictable brush fires that, if they had been in uninhabited scrublands, would be allowed to burn free within a perimeter of fire breaks.

This strategy is more and more common as more and more of California's homes have spread into canyons and up hillsides.

"What we are seeing right now is what we've termed the fire of the future, with wildfires destroying large numbers of structures," said Karen Terrill, a spokeswoman for the state Department of Forestry and Fire Protection.

"This is what we are going to see more and more frequently."

In places like Altadena, fire fighters have also learned to take their stands where homes are defensible and abandon those that are closely surrounded by brush or trees.

The most defensible houses, Ms. Terrill said, are those with open space around them, with fire-retardant roofs or with swimming pools to provide water.

"Hot tubs have been known to save houses," she said.

The Altadena fire, which no longer threatens homes, has been an example of this new complex

challenge, said Clark Pearson, an inspector with the Los Angeles County Fire Department.

The fire destroyed or damaged 115 homes and forced the evacuation of 500 others, injuring 29 firefighters and causing at least \$15 million in damage as it swept 5,500 acres (1,375 hectares) along the northern edges of Altadena and Pasadena.

Throughout the region, from Ventura County to the Mexican border, there were 13 large fires that burned across 137,000 acres and forced some 25,000 people from their homes.

An estimated 700 dwellings were destroyed or severely damaged.

Fire fighters were gaining the upper hand Friday.

In Altadena, a row of blackened walls and chimneys was all that was left of some of the exclusive homes overlooking the city along Kinross Mesa at the foot of the San Gabriel Mountains.



A luxury home spared by the wind-lashed brushfires in Laguna Beach, south of Los Angeles, stood unscathed among the ruins of a neighborhood of expensive dwellings.

POLITICAL NOTES

Worse to Come in Packwood Case?

WASHINGTON — Senator Bob Packwood's personal diaries contain information that has raised questions about possible violation of criminal laws by the Oregon Republican legislator, the chairman of the Senate ethics committee said.

In a lengthy statement on the panel's reasons for seeking to force Mr. Packwood to turn over all his diaries, the committee chairman, Richard H. Bryan, Democrat of Nevada, said for the first time that Mr. Packwood might have engaged in criminal misconduct as well as improper behavior toward women.

He also accused Mr. Packwood and his attorney of using "misleading" and "inaccurate" arguments in fighting the subpoena that the ethics panel issued last week for the senator's diaries.

Mr. Bryan did not specify the nature of the possible criminal violations.

The Senate minority leader, Bob Dole, Republican of Kansas, called Mr. Bryan's statement "very unfortunate"

Dinkins Steps Up Attack in N.Y. Race

NEW YORK — A visit from the president, a flurry of broadcast appearances and saturation-strength television commercials propelled the New York mayoral campaign toward its final weekend as Mayor David Dinkins rolled into high-geared attack and Rudolph Giuliani made more tempered appeals to liberal swing voters.

With polls showing next Tuesday's vote too close to call and with voters' unfavorable impressions of Mr. Giuliani, the Republican candidate, edging upward after the mayor's earlier broadsides, Mr. Dinkins unleashed his harshest commercial of the campaign, using footage of a speech by Mr. Giuliani to a rowdy policy rally near City Hall last year and condemning him for excessive zeal as U.S. attorney in Manhattan.

For his part, Mr. Giuliani apparently mixed confidence with the acknowledgment that his voter support seems to suffer when he is too much on the offensive, and he steered

A Foreign-Policy Quiz for Christopher

WASHINGTON — Secretary of State Warren M. Christopher is scheduled to appear before the Senate Foreign Relations Committee on Thursday for a review of U.S. foreign policy objectives.

Mr. Christopher is expected to be asked about Clinton administration policies around the world, including Haiti, Somalia, Bosnia-Herzegovina and Russia. (AP)

Quote / Unquote

Representative Lamar S. Smith, Republican of Texas, on President Clinton's plan for an overhaul of the nation's health-care system: "The president took the surprise approach to revealing his new health program. The good news is, we got to see more of it. The bad news is that when we got to see it, it looked even more like another tax bill." (AP)

Away From Politics

- Standard time returns to most of the United States this weekend. Clocks will be turned back one hour Sunday at 2 A.M. Daylight time returns April 3.
- Only 175 cases of measles were reported in the first six months of 1993 in the United States, an almost 99 percent decrease from the nearly 14,000 cases counted in the first half of 1990, during the peak of an epidemic, the Centers for Disease Control and Prevention reported.

- Jewish protesters in Cleveland lost a court challenge to restrictions on protests at the home of John Demjanjuk, whose war crimes conviction was overturned in Israel.
- Fraudulent injury claims on New York subways and buses will be tracked down by a new unit of prosecutors and detectives. It will pursue lawyers and doctors who the Transit Authority said "make these frauds possible." Last year the authority paid about \$50 million in damages.
- The most-traveled spacewoman is a biologist, Shannon Lucid, aboard the shuttle Columbia. "She is now the goddess of the universe," the craft's commander, John Blaha, said. "She has more time — 762 hours and counting — than any woman ever in the human race."
- Cancer warnings about chewing tobacco will have to be placed alongside ads for such products as Skool and Copenhagen on racing cars, banners, signs or uniforms. The Federal Trade Commission was asked by the Coalition on Smoking or Health to extend its warnings on mouth cancer and gum disease to racing cars.

Altered State of Drug Policy

U.S. Will No Longer Stress Latin American Interdiction

By Joseph B. Treaster
New York Times Service

WASHINGTON — The Defense Department is making a modest shift away from its ineffective and heavily criticized attempts at intercepting drugs, toward a greater emphasis on helping countries in Latin America attack the major narcotics trafficking organizations.

Drug experts said the change was likely to have little effect on the flow of illegal drugs into the United States.

Brian E. Sheridan, deputy assistant secretary of defense for drug enforcement policy and support, said the military planned to cut spending on the interception of drugs, which now accounts for 71 percent of its \$1.17 billion anti-drug budget, by 6 to 11 percentage points. It intends to increase spending on training and equipment for countries that grow, refine and export illegal drugs to 16 percent, up by 5 percentage points.

The Clinton administration has failed to deal with the main issue of debate: how much of the proposed \$13.1 billion annual drug budget should be devoted to law enforcement and how much to rehabilitation and other health measures.

The Clinton administration's budget allocates about 65 percent to law enforcement and 35 percent to health measures, or about the same as the last Bush budget. Members of Congress and many drug experts have been urging a substantial increase for treatment, and some have suggested a 50-50 split.

The administration issued a national drug strategy last week that emphasized health issues. But the strategy was widely criticized by Democrats as well as Republicans and independent experts for not giving any indication of how spending would be apportioned.

Drug experts questioned the fundamental direction of the Pentagon's shift, saying corruption and a lack of enthusiasm for tackling the drug problem in some Latin American countries made putting more money into them an extremely questionable enterprise. Colombia has been the most cooperative by far in helping the United States achieve its goals in Latin America, they said, and it has focused almost entirely on quelling the domestic violence of drug gangs rather than on trying to destroy their ability to produce and ship drugs.

The biggest impact on the military's anti-drug programs, which have repeatedly been criticized in Congress and by independent drug experts as among the country's most expensive and least effective anti-drug efforts, is being brought about by Congress. Pentagon officials said Congress was likely to cut the overall military anti-drug budget by as much as \$250 million, or nearly double what the Pentagon had recommended after an internal review.

Some drug experts said the Pentagon shift represented little change from the policy of President George Bush's administration and pointed out that in making the announcement Thursday, the Clinton ad-

ministration had failed to deal with the main issue of debate: how much of the proposed \$13.1 billion annual drug budget should be devoted to law enforcement and how much to rehabilitation and other health measures.

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"They're taking money out of interdiction, which is good," said Peter Reuter, director of drug policy research at the Rand Corp. "But they're moving it to an area that I think is even less promising: helping governments that don't want to be helped."

Tapes Tarnish N.Y. Blast Case

U.S. Revises Its Nuclear Strategy

By Robert L. Jackson and Ronald J. Ostrow
Los Angeles Times Service

WASHINGTON — Secret tapes suggesting the FBI may have missed an opportunity to prevent the World Trade Center bombing have put federal law-enforcement officials on the defensive and threatened to complicate the job of prosecuting the bombing suspects.

The tapes, made by a government informant, Ennad A. Salem, reflect conversations in which Mr. Salem complained to his FBI handlers that the agency had failed to act on his tips that a terrorist explosion was being planned at Manhattan's 110-story trade center towers.

The blast in February killed six people, injured more than 1,000 others and sent thousands more fleeing the office complex down darkened, smoke-filled stairways.

Taken as a whole, the tapes pose "an absolute nightmare for prosecutors," said Richard Ben-Veniste, a Washington attorney and former associate prosecutor in the Watergate case. Officials, although declining to elaborate on the record,

acknowledge that the development poses a problem.

Mr. Ben-Veniste and others say the tapes show a distrustful relationship between the government and an informant whose veracity it must support in court trials. Otherwise, his value as a witness — perhaps the government's most important one — will be badly damaged.

The taped conversations became public knowledge this week when a federal judge presiding over the trial of suspects in the case gave transcripts to defense attorneys.

In one conversation, Mr. Salem — a former bodyguard for Sheikh Omar Abdel Rahman, who is suspected of inspiring the bombing — says law-enforcement officials once planned to have him throw the bombing by substituting harmless powder for the explosives, but then called it off.

Federal officials, although confirming the accuracy of selected transcripts, were so chagrined by the contents that they refused on-the-record comments. They also said they did not wish to anger a federal judge who gave the documents to defense lawyers.

One high-ranking enforcement officer asserted, however, that Mr. Salem's remarks were exaggerated and "taken out of context." The government lacked information before the bombing that was sufficiently specific to head it off, the officer insisted.

"There's no way the FBI would be in receipt of information that there was going to be some terrorist action and not act upon it," the officer said. "That's ridiculous."

But government officials acknowledged that the tapes seriously complicated the prosecution's tasks. One official said, for example, that by challenging Mr. Salem's claim on the tapes that he gave the FBI advance knowledge of the bombing, the government raises questions about Mr. Salem's overall credibility.

The same point was made by Harry C. Batchelder Jr., a former prosecutor and New York attorney who once represented Sheikh Rahman. Mr. Batchelder said defense attorneys might now be able to show "inaction by the government and distrust of their own informant."

U.S. Revises Its Nuclear Strategy

By Michael Wines
New York Times Service

WASHINGTON — Defense Secretary Les Aspin ordered an overhaul of the military's 45-year-old nuclear weapons strategy on Friday, saying the main threat to U.S. security now stemmed from nuclear terrorists and renegade states, not the superpower war for which the American arsenal was designed.

U.S. nuclear missiles and nuclear-armed aircraft have been placed on lower alerts since the Cold War ended in 1991, but they remain aimed largely at cities, factories and military assets of a Soviet Union that no longer exists.

Mr. Aspin said the review now under way would lead to changes not just in that list of targets, but in the size of the nuclear arsenal, how it is deployed on land, air and sea, and the way it is used to deter — or punish — old or new enemies.

"This kind of comprehensive approach is demanded by new circumstances," Mr. Aspin said. "The Cold War is over; the Soviet Union is no more. But the post-Cold War world is decidedly not post-nuclear."

Although the Soviet threat has subsided, he said, its warheads have been inherited by four successor states whose grip on those weapons is, at best, less assured than before. In those states, accidents and loss of control of nuclear weapons now are the primary fears of American military planners, Mr. Aspin said.

Even less assured are the intentions of terrorist groups and renegade nations, like Libya and North Korea, that are known to be seeking nuclear arms.

Their principal threat — a bomb or two, smuggled into the United States and then exploded or used for blackmail — may be harder to detect and ward off than the old Soviet threat, Mr. Aspin said.

AMERICAN TOPICS

Why a Miss Is Not As Good as a Mile

Psychologists are studying the phenomenon of regret. They hope to find out, for example:

- Why is it so much more agonizing to miss your flight by 4 minutes than by a full 30 minutes?
- What do people regret more, things they did or things they did not do?

Thomas Gilovich, a psychologist at Cornell University in Ithaca, New York, says that the easier it is to imagine the alternatives to a regretted action or inaction, the more intense is the reaction to what really did happen. This may explain why it's more agonizing to miss your flight by 4 minutes than by 30.

"We can sure imagine, if only there hadn't been that slow truck," says Janet Landman, a University of Michigan psychologist. But to make up a half-hour would take "a whole chain of events." Her book, "Regret: The Persistence of the Possible," is to be published in November by Oxford University Press.

Mr. Gilovich says that people regret action more than inaction first, but that over a long period they come to regret inaction more than action.

Short Takes

A bill introduced in Congress would block state motor vehicle departments from releasing personal information about a license holder to random callers without the license holder's permission. "The random access to this type of personal information poses a threat to every licensed driver in the nation," said Representative Jim Moran, Democrat of Virginia, a co-sponsor of the bill. In 32 states, anyone can find out someone else's name and address simply by submitting a license plate number and a nominal fee. In 1989 an actress, Rebecca Schaeffer, was fatally shot at her Los Angeles apartment by a man who had used her license number to get her home address. Now California limits the available information to only a person's name and town.

"The Birth of a Nation" has been omitted from the Library of Congress's current commemorative of 100 years of motion pictures, although last December it was included among the all-time most valuable in the National Film Registry. The Washington Post calls the film "D.W. Gri-

fith's 1915 landmark epic that almost single-handedly turned movies from an amusement to an art form." But in its recounting of the Civil War and Reconstruction, it portrays blacks as either "eye-rolling Uncle Toms" or "feeling defilers of white womanhood." Pat Loughney, who heads the library's film division, said he had made the decision on his own. "Quite candidly," he said, "it is a sensitive subject." He expressed concern that "controversy over the social issues might drown out any discussion of the historical and aesthetic."

Some of the half-million deaf people in the United States are objecting to the cochlear implants, a surgically implanted device that restores limited hearing. The cost of the two-hour surgery and follow-up medical care is \$25,000 to \$30,000. "It's time for the public to respect us as deaf people, not as handicapped people," said Cliff Mores, president of the Colorado Association of the Deaf, in a typical comment. "The handicap is the public's perception." Dr. Samuel Selesnick of the New York University Cornell Medical Center agrees, saying that the implants aren't for every deaf person but that they can help many. "If someone is hearing-impaired and can wear a hearing aid and do well there's really no need for the implant," he said.

Arthur Higbee

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INTERNATIONAL Herald Tribune

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Widen the Haiti Embargo

Standing before the UN General Assembly on Thursday, the deposed president of Haiti, Jean-Bertrand Aristide, passionately argued for a complete trade embargo against his country to force its military rulers to step down and allow him to return to office.

Haiti has a bloody and unfortunate history. It is a country that has never known democracy. U.S. Marines occupied the island in 1915 and stayed for 19 years, responding to an incident in which the Haitian president was assassinated.

Ordinary Haitians deserve this sort of cooperation from the international community. First they took the risk of supporting Father Aristide and electing him to office with a majority of almost 70 percent.

So far, despite the fact that he is Haiti's legitimate leader, Father Aristide has made all the concessions, promising that the leaders of the coup that ousted him will suffer no punishment.

Safeguard Nuclear Fuel

In a small but right decision, the Clinton administration has waived environmental rules in order to bring spent fuel from Belgium back to the United States for storage.

In a small but right decision, the Clinton administration has waived environmental rules in order to bring spent fuel from Belgium back to the United States for storage.

Don't Shortchange Africa

Given the state of the U.S. balance sheet, this is not the best time for countries to line up in America's foreign aid queue. But the timing is especially bad for the countries of sub-Saharan Africa.

Such popular recipients as Israel and Egypt found themselves having to make room at the head of the line for the equally popular Russia. As a result, those three got the lion's share of the \$13 billion foreign aid program.

Russia's Imperial Games in the Caucasus

By Melor Sturua

MINNEAPOLIS — After successful campaigns, the Roman emperors paraded the humiliated kings of defeated countries in chains before them.

With only the covert support of the Russian military and a small but well equipped mercenary army, the Abkhaz separatists had defeated the outnumbered and outmaneuvered Georgian National Guard.

Against his will, he has been transformed in the eyes of many Georgians from the shining knight defending his country's independence into a reborn proconsul of Moscow.

Can Kohl Survive on Shifting Electoral Ground?

By Jochen Thies

BONN — Chancellor Helmut Kohl still looks confident of winning the national elections in Germany a year from now and of preserving his coalition with Foreign Minister Klaus Kinkel's Free Democrats.

Germany is not only going through a deep recession but is facing the challenge of modernizing its industrial base in both the West and East.

Germany is not only going through a deep recession but is facing the challenge of modernizing its industrial base in both the West and East.

It's 'Take-Charge' Haig Rushing to Forgive Beijing

By A. M. Rosenthal

NEW YORK — How dare the United States do this? Alexander Haig wants to know. How dare the United States "go around telling the rest of the world" that it must live up to American rights standards?

State Haig told the country that he was "in control" at the White House; Vice President George Bush was in a plane flying to Washington.

State Haig told the country that he was "in control" at the White House; Vice President George Bush was in a plane flying to Washington.

East Asia Can Manage Its Environment

By Gautam S. Kaji

HONG KONG — East Asia stands out among developing regions for its spectacular economic growth and impressive reduction of poverty.

While environmental problems are exacerbated by population increase, urbanization, industrialization and rising demand for energy and transportation, growth is out the under-

congestion effectively raises the price of air, water and land resources. Market-based policies will increase the income flowing to the "owner" of the resource.

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When Panic Threatens Democracy

By Richard Cohen

WASHINGTON — I am scared twice over. My first fear is of crime. I live in a city, Washington, where crime is so out of control that the mayor, in desperation, asked permission to call out the National Guard.

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IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: Spanish Sack

MADRID — Imprudent tactics have proved fatal to General Margallo, Commander-in-Chief of the Spanish Troops at Melilla.

1943: Regency for Italy?

NAPLES — [From our New York edition:] The shelling of both King Victor Emmanuel III and Crown Prince Humbert in favor of a regency for Humbert's six-year-old son, the Prince of Naples, was proposed for Italy today [Oct. 29] as American and British representatives conferred here with a group of foremost Italian political leaders.

1918: Prague Celebrates

BALE — The "Frankfurter Zeitung" published a dispatch from the Austrian Ministerial Council, saying that rioting occurred yesterday morning [Oct. 28] in Prague on the arrival of a telegram announcing that Count Andrássy in his Note to President Wil-

Handwritten text in Arabic script: كذا من الأصل

ART

Saturday-Sunday, October 30-31, 1993 Page 6

A Rare Look At Venetian View Painters

By Roderick Conway Morris

LONDON — No history of 18th-century painting could afford to ignore Canaletto and Francesco Guardi. Venice's most outstanding view painters, yet their status was, and remains, ambiguous.

And though subsequently both artists were sought after, the critical establishment was indifferent, if not hostile. John Ruskin, England's leading 19th-century art patron, conducted a lifelong campaign of (in his words) "determined depreciation" of Canaletto.

Now that these artists' pictures are scattered across the globe — many in private collections — this autumn's three excellent, independently conceived exhibitions in London and Birmingham (of Canaletto) and in Venice (of Guardi) offer a simultaneous gathering of their paintings, drawings and engravings on a scale that is unlikely to be repeated for many years.

Born in 1697, Canaletto first assisted his father, Bernardo Canal, a theatrical scene painter, receiving the nickname "Little Canal" that was to stick for the rest of his life. By his mid-20s, he was painting Venetian scenes, an emerging genre to which he brought an exceptional clarity of vision, sure touch in composition and freshness of color.

He was soon taken up by Joseph Smith, an English merchant and banker who had settled in Venice around 1700. It proved to be an enduring and mutually rewarding artist-patron relationship. Bani was the well-heeled English visitor who left Venice without calling at Smith's palazzo, where the walls were adorned with paintings by Canaletto and others. Smith amassed a huge collection, but by the late 1750s, his business slumped and he was forced to sell his assets.

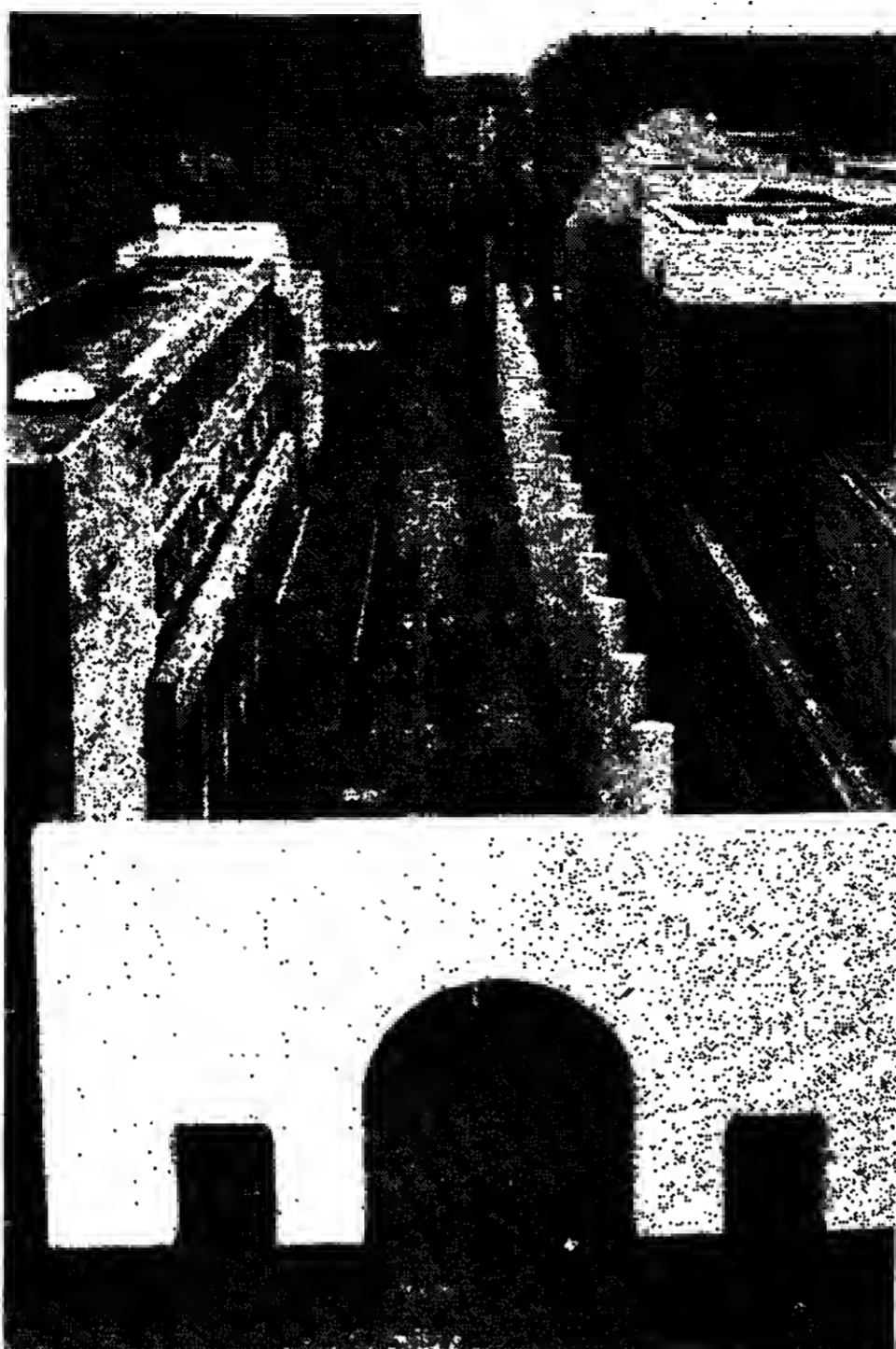
George III had recently ascended the throne and bought Buckingham House, now Buckingham Palace, for his bride, Queen Charlotte. The problem of furnishing this vast edifice was substantially solved by buying Smith out for £20,000. Over a hundred items from this acquisition, including a dozen superb Canaletto paintings and twice that number of drawings and engravings, are on show in the Queen's Gallery at Buckingham Palace in "A King's Purchase: King George III and the Collection of Consul Smith" (until Dec. 23).

In 1746, Canaletto set out for England in search of new vistas. His nine-year stay is brought to life again in "Canaletto & England" (until Jan. 4), at the Gas Hall, attached to Birmingham's Museum and Art Galleries. Canaletto's London views, unequalled in their panache and power of observation, represent the most complete record by one artist of the capital in the 18th century.

GUARDI, who died 200 years ago, is the subject of "Francesco Guardi: Views, Capricci, Festivals" at the Cini Foundation on the island of San Giorgio Maggiore in Venice (until Nov. 21). He was 15 years' Canaletto's junior and, inevitably, grew up under his shadow. The Guardi's poverty exacerbated the tendency of the family workshop (headed, after their father's death, by Francesco's less talented brother Antonio) to copy to satisfy the demands of the market.

Guardi commanded particularly low prices for his pictures, and thus, far fewer of them survived. A contemporary called his work spirited but inaccurate, yet, as the drawings and paintings in this show reveals, Guardi was an adept draftsman, and the deviations from reality in his compositions are deliberate.

After the death of his older brother in 1760, Guardi's work takes on a new freedom and expressiveness. The strange, ethereal effects he finally achieved remain, paradoxically even in his "capricci," or imaginary scenes, firmly rooted in the natural world, capturing aspects of Venice and the lagoon that have eluded other artists.



Dani Karavan's "Street of Human Rights" in Nuremberg.

'Street of Human Rights'

Nuremberg Memorial in Many Tongues

By Michael Gibson

NUREMBERG — Geography and history being inseparably intertwined, there was an intense significance to the opening of a "Street of Human Rights," conceived by the Israeli artist Dani Karavan.

This significance hinges upon events that set their indelible mark on Nuremberg in the course of this century. While the Nazi party was holding its annual ritual gathering here in 1925, the Reichstag in Berlin approved two laws, now known as the Nuremberg Laws. The first stripped German Jews of their citizenship. The second set penalties on marriage and sexual relations between Jews and non-Jews.

When the wheel turned, Nazi war criminals were brought to justice here 11 years later. Nuremberg is a thriving modern city, but the weight of the past remains palpable. The city is still saddled with some overzealous vestiges of the Nazi era. The Nazis' unfinished New Congress Hall, for instance, which is about the size of the Roman Colosseum, stands in a park to the southeast of the city. Its central yard is used as a car park.

All this and the current wave of xenophobic violence in Germany made the inauguration of the Street of Human Rights on Oct. 24 into something more than an exercise in political correctness.

The venture that led to the creation of this monument began in 1988, when the city of Nuremberg organized a competition for a human rights memorial to be created on Karäusergasse, a narrow passage with intense pedestrian traffic running alongside the vast complex of the Germanisches Nationalmuseum. The museum had recently acquired new space on the far side of the street and work was under way to move the main entrance to this street and to build an underground hall connecting the two sections.

Invitations were sent to such stars as Richard Serra (who declined to participate), Sol LeWitt (who proposed to install an \$85,000 cube), Günter Rambow, Claus Bury and Otto Herbert Hajek, as well as to Karavan.

The project was awarded to Karavan, whose work over the past 30 years has often effectively combined written text with geometric forms.

In his monument in Nuremberg, the narrow street, 200 meters (660 feet) long, is lined with 27 white concrete pillars, eight meters high and 80 centimeters across. Two more pillars that have been "sunk" into the ground (to allow for the passage of service vehicles) are represented by white concrete circles, and another "pillar" is represented by a local variety of oak tree. The street is closed at one end by a gate of the old city of Nuremberg. Karavan lent the space greater intimacy by building a section of wall on the other end, with symmetrical doors in it.

Each column is inscribed with the abridged text of one of the 30 articles of the Universal Declaration of Human Rights, in German and in another language. The languages represented were chosen by Karavan with advice from Daniel Jacoby, the president of the International Federation of the Leagues of Human Rights. A plaque explains that they are placed in order of distance from Nuremberg. The last column is inscribed in Spanish, Santiago de Chile being 12,210 kilometers (7,580 miles) away. The first one, at zero kilometers, is inscribed in Yiddish.

The tree, as the plaque beside it states, symbolizes the thousands of other languages of the world — its leaves moving in the wind like so many tongues.

Pedestrians passing through the street on the day after the opening showed interest. Walking in circles round the pillars to read the inscriptions, children pointed out the variety of languages and alphabets while adults spoke to strangers about the monument. The dignitaries attending the opening included Jacoby, the chairman of the event; Daniele Mitterrand, the wife of the French president; and Federico Mayor, the director-general of the United Nations Educational, Scientific and Cultural Organization.

A clear freezing drizzle fell for the morning session, but chairs had been set out under sodden parasols and the entire program of speeches, readings and musical performances was run through with grim determination. The VIP audience froze stoically while actors wrapped in overcoats and scarves declaimed the articles of the Declaration of Human Rights in an accusatory tone suggesting that someone in the audience might be planning to infringe one of them on the spot.

A GROUP of women in black, not on the program, stood silently beside the podium holding a banner expressing anger and revulsion at events in the former Yugoslavia. Schoolchildren released a confetti cloud of bright balloons into a careless sky.

The afternoon session set a quite different tone. It was moving and reminded one that while human rights have become, in the words of a Kurdish participant, a blandly consensual matter and even something of a secular religion, the real issues are far from resolved.

Speakers included Hebe Pastor de Bonafini, the president of the Mothers of Plaza de Mayo in Buenos Aires; Gyaltsen Gyaltag, representing the Dalai Lama; Mehdi Zana, the mayor of the Kurdish town of Diyarbakir in Turkey; a Syrian participant, Haytham Manna, and José Ramon-Horta of East Timor.

Jacoby, who pointed out that national chauvinism is resurgent both in Germany and elsewhere, hailed Karavan's monument as a powerful symbol and applauded the city's decision to create a biannual award to be presented on the "Street of Human Rights."

BOOKS

THE WIESENTHAL FILE

By Alan Levy. 463 Pages. £18.95. Constable Publishers, London.

Reviewed by Mark Kurlansky

THE book arrived with a big red swastika on the cover, over pictures of ugly evil men. In the

background were blurry photos of naked emaciated bodies. The first thing I do with such books is remove the jacket.

But Alan Levy's book seemed to be offering a glimpse into the soul of a man who — already bearing a sabbat scar from a program endured the worst of the camps — has chosen to spend the rest of his life focused on that horror.

Today, 48 years after the liberation of the camps there are many survivors who spend their time on Holocaust-related activities. Many of these people have learned to face up to their experience in their retirement years. Many passed 20 or more years before they could talk about it. They live in fear of the onslaught of nightmares. I knew of a survivor who could not bear the sight of trains.

Wiesenthal refused to forgive him and left him to die. We learn that he opposes the death penalty and though he spent years trying to aid the capture of Adolph Eichmann, he was never certain that he should have been executed.

Unfortunately this book offers only a few such insights. I almost thought we were getting there when he quoted Wiesenthal's saying of Mengele, "If I could get this man, my soul would finally be at peace." But the reader is left to pursue Mengele and not Wiesenthal's soul.

While Levy's lengthy accounts of Eichmann, Mengele and others seem accurate and well informed, he does not seem to have anything original to add. His accounts, while sometimes offering drama and intrigue, are heavily laced with what I can only describe as silly writing. Some examples: "Baron how he was born..." and "But Paradox Canyon has many a twist and turn" and "she had read the writing on the barbed wire."

Toward the end of the book, on the subject of Kurt Waldheim, Levy finds a more comfortable role for himself as a journalist rather than historian. With integrity and intelligence he makes his way through the controversial affair

where all objects seemed to be only shadows. Here, at last, his approach to Wiesenthal is fair-minded and critical. But if Wiesenthal's position on Waldheim seemed a little hazy, it is also never really clear what Kurt Waldheim did or did not do. Only that he did not tell the truth about it and he was not a man that should have held high office, let alone served as United Nations secretary-general.

But the most thought-provoking passages are the descriptions of Raoul Wallenberg's crusade to save Jewish lives in Nazi-occupied Budapest. Suddenly it becomes apparent that the problem with the Holocaust was not that the world produced Eichmanns and Menges and many a Waldheim to go along with it. The problem was that the world failed to produce more Wallenbergs.

Mark Kurlansky is working on a book on postwar European Jewry to be published next year.

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SCARE TACTICS By Alfio Micci

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سكوا من الأصل

سكنا من الامن

Arts and Antiques

Connoisseurs Steer Steady Course Amid The Market Storms

LONDON — Is it the hypnotic effect of prolonged concentration? Or is there a timelessness about the single-minded pursuit of a highly specialized category of works of art? As if these were immune from such mundane factors as a shrinking economy, closely defined categories collected by sophisticated and very knowledgeable collectors have been following a steady course, with hardly ever a dip.

This applies equally well to exceedingly rare pieces requiring erudite understanding as well as more traditional, sometimes even homely wares.

The "Ancient Egyptian Glass Inlays," which were sold at Christie's on July 7, definitely fall within the first category. These were glass insets used among other things on temple furniture. Few have come down to us and most in such fragmentary condition that their success at auction seemed highly uncertain. Yet, as I attended the viewing and watched a few dealers and collectors getting excited, I got a feeling that it would go with a bang.

And, indeed, it was a smashing auction of smashed objects. By the time lot 3, a fragment of a polychrome feminine head with only one side of the face, went up to £7,215, it was clear that Christie's would have few problems.

There were crazy moments. A small rectangular piece of the 1st century B.C. with only one half of a Sellenos mask seemed a bit overpriced at £24,150, more than 250 percent above the high estimate.

True, some prices dipped and at the end of the day 34 of 183 lots were unsold. Given the totally fragmentary nature of what remained unsold (for example, a 3-centimeter piece of a formal pattern, bought in at £650 against a £900 to £1,200 estimate), the failures mean little. It was an astounding success.

Some, of course, will argue that no such sale had taken place. Rarity would erase the surface of the recession. Possibly. But no such argument can be invoked concerning ceramics, particularly not British ceramics of a traditional type collected by the English middle class, which has been battered by the recession. Yet, curiously, the more modest sales have been doing extremely well.

This was shown on Aug. 5 at Christie's South Kensington at a difficult moment when many traditional collectors could be assumed to be away from London. Almost everything seemed to sell easily. A Minton Crystal Palace Arts Union charger with a shield indicating that it was made for the Arts Union and an impressed mark corresponding to 1854, sold for £990 right at the beginning. It was followed by a much damaged garden stool of Chinese Ming shape done by George Jones in the 1870s. It sold for £770, while four pieces of the famous monkey tea set by Jones rose to £4,180, courtesy of an English dealer.

And the success story went on, whether the subject was a Derby porcelain cylindrical tankard painted with a landscape in the manner of George Robertson, which sold for £715, or a Rockingham drum-shaped blue ground vase made around 1830, which went up to £1,430. On Sept. 8, Phillips had its first substantial sale in the season and, again, British ceramics fared very well.

This month there was no indication of any change. At Christie's South Kensington on Oct. 14, enthusiasm over Victorian majolica, for example, had not waned. There was another specimen of the majolica garden stool modeled by George Jones sold in August. It was better preserved and, if anything, too glittering. It soared to £2,400, almost twice the high estimate. A Minton oval seafood dish with the border shaped like a lotus chalice alternately honey and blue, was dated 1864. It made it to £3,520. Rarities went through the roof. A small tankard in Worcester blue and white made around 1755 soared to £3,850, nearly tripling the high estimate.

Pieces in poor condition or utter banalities were failures, but chancy pieces with very low estimates often found a niche, if they were attractive. A pretty Liverpool blue and white sauce dish with a molded pattern and blue sprays, estimated to be worth under £100, due to frittering and a hairline crack, thus sold for £132.

There were some delightful lots to be picked up that day, such as a Worcester blue and white molded cup and saucer made around 1760, which cost its buyer a moderate £176. A charming teabowl and saucer in Lowestoft blue and white porcelain could easily have foundered with its "minor damages." The attraction of its radiating swirling blue bands with blue sprays on the white ground in the intervals rescued it. That also went for £132.

The buyers clearly knew what they were doing and bought without a care. Suddenly, as I watched their obvious pleasure, the reason for the nearly unmitigated success of a modest sale at the lower end of the market became obvious. British ceramics is a field in which there has been no "investment." Speculation never really interfered with the natural balance of this market, in contrast, say, to Italian Renaissance majolica or German Meissen porcelain of the most expensive kind. This is a field still left, in the main, to connoisseurs motivated by love and enjoyment — in short, the only good reasons when buying art.

Souren Melikian

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For Old Masters Enthusiasts, Still Some Discoveries

A bird painting by the 17th-century Dutch master Melchior Hondecoeter, which had hung in a Yorkshire country house for many years, surfaced in New York in 1981 and sold for \$309,000. Recently, it fetched \$331,000 at a Christie's sale, as Old Masters treasures loom larger in the art market. Page 10.

In U.S., the Economics of Culture

By Joseph Fitchett

WASHINGTON — The art war that fizzed in American politics in recent years has subsided, apparently smothered by a new national mood focused on the economy. Suddenly, "the arts" are turning up in dollars-and-cents discussions about jobs and exports, about Hollywood and trade talks — not in polemics about pornography and censorship. Even the bugaboo of government-subsidized art seems to scare fewer people.

"Art is no luxury," proclaimed a

recent New York Times editorial, explaining that cultural attractions generated \$10 billion in business last year in a city strapped for cash.

"It means jobs, lots of them, for New Yorkers — and tax revenues," the paper emphasized, urging a reversal of plans to gut the state's subsidy to the arts, halved in the last three years to \$25 million.

Now that the smoke has cleared from the Bush administration's battles over culture budgets, it seems clear that American opinion broadly supports federal funding for the arts, apparently without worrying overly much about the risks of some support

going to works that are offensive or just plain bad.

According to a Harris poll just after President Bill Clinton's inauguration, 60 percent of Americans favor national subsidies for the arts and 80 percent think that "the arts need to operate freely with a minimum of government control."

Amid the more businesslike American approach to the arts, polemics have not died out, but the barangoes about public morality in the museum have given way to a livelier question: What should qualify for the status of

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Paris Auction Market Gets Its Art Together

2 Experts Operate a Quiet Revolution By Pooling Works for Presale Display

By Souren Melikian

PARIS — The French auction system is at last finding a partial cure for its fundamental ailment, the dispersal of merchandise for sale among a multitude of auction offices with little or no effort at coordinating. In the last few years there has been a dramatic improvement where Old Master drawings and Old Master paintings are concerned. Credit for this goes first and foremost to two experts in these respective fields, Bruno de Bayser and Eric Turquin. The change has gone unnoticed in the media but it is having a tremendous commercial impact in these specific markets.

Bruno de Bayser is one of those connoisseurs who were virtually born into the field. His father, a collector turned dealer after he was ruined by the 1929 crash, instilled in him an early love of drawings. In 1964, he joined his mother, who was running the Galerie de Bayser after his father's death in an accident, and when she retired, in 1972, he took over, with his wife, Thérèse, as a partner. One day in December 1978, he was called in as an expert to assist the auctioneer Daniel Boscher at a Drouot sale, and gradually became more involved.

Armed with a vast knowledge, affable, absolutely straightforward in business, De Bayser became popular among foreign collectors and dealers. He struck up a great friendship, for example, with the late Ian Woodner of New York, a high-profile drawings fan who bought a lot through De Bayser. Impressed, Paris auctioneers took up his suggestion to send a few drawings long before the sale to be displayed in the very grand premises of the Galerie Bruno de Bayser, which takes up the entire first floor of a magnificent Louis XIV-period townhouse at 69 Rue Sainte-Anne.

It is at that point that Eric Turquin's story interconnects with De Bayser's career. Turquin was born in 1952 into a family of well-to-do landowners in northern France. He studied law, graduated from the Ecole du Louvre, passed the Paris auctioneers' exam and decided that the cost of buying an auctioneer's tenure was not worth it. Turquin then spent two years with Paul Touzet, a dealer in Old Masters who

had turned into a full-time Drouot expert. "He taught me everything," Turquin tersely says.

The next step was Sotheby's, which he joined in September 1979 as a cataloguer of Old Masters and left in 1987 as head of the London Old Masters department. The expert returned to Paris, where De Bayser offered him the run of his own premises. The year after, Turquin rented the ground floor at 69 Rue Sainte-Anne, which had become available. Soon, he had very little time for dealing and became the expert to whom a majority chose to turn for advice. Turquin was internationally known to collectors, curators and dealers. With his reputation and fantastic address book, he made a very significant difference to almost any sale of substance he handled.

Then a third factor intervened. In 1989, the president of the Paris Chamber of Auctioneers, Joël-Marie Millon, and the secretary-general of the Hôtel Drouot, Patrice Ziegler, turned to a firm of American attorneys, Jones, Day, Reavis & Pogue, for a general review of the Drouot system. This included an audit, which was entrusted to Jean-Pierre Weiller Consolis. It was called in as the art market consultant by the lawyer who led the review, James Lightburn, now a senior partner of Hughes, Hubbard & Reed. All the auctioneers who agreed were interviewed, as were the experts. Many ideas were exchanged. A bulky report was eventually submitted and a number of basic reforms suggested. At the heart of my recommendations lay the necessity of pooling works of art for sale and making them easily accessible — and known — to potential buyers long before the projected auctions.

IN the year that followed, Old Master drawings and paintings were sent with increasing frequency to De Bayser and Turquin, not just for expert analysis but also for prolonged display on their premises, often for several weeks. Turquin reckons that he now handles 90 percent of the Old Masters at Drouot. He has little time for dealing. For De Bayser, whose dealing activity goes on in part thanks to his wife and partner, the proportion is "over 75 percent."

At any one time, substantial numbers of

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Arts and Antiques / A Special Report

China's Artists Collect Near the Collectors

By Kerin Murphy

SHENZHEN, China — Hostage to noisy traffic jams and round-the-clock concrete pours, southern China's biggest boom town, Shenzhen, is hardly a place for artistic contemplation. The fishing village turned city of 3 million in 15 years is better known for sweatshop manufacturing and freewheeling business, but Shenzhen has become home to a number of Chinese artists trying to crack a cross-border market for their work.

Drawn by the city's proximity to Hong Kong, a 45-minute train ride to the British colony's downtown galleries, artists like Shanghai-born Wang Da Lin have migrated from various cities in China.

For many who cannot obtain exit visas or passports from their government, Shenzhen is as close as they can get to an expanding body of contemporary Chinese oil collectors.

As a hotbed of China's economic reform, Shenzhen also offers artists a chance to make some fast money to support themselves while developing their careers.

"A lot of artists have come because there is much more opportunity here," said Wang, a self-taught artist who juggles his painting with a job at the Shenzhen Art Museum, where he is art director.

"But after coming to Shenzhen, people find business activities are not really mixing with art careers," said Wang, who favors Van Gogh-inspired still-lives. "Some forget about their art and concentrate on making money instead."

Surviving as an artist in China's new market-oriented economy is not easy despite a surge in appreciation of contemporary art abroad and the emerging signs of a domestic market expected to snowball with China's increasing private wealth.

State subsidies for artists are disappearing and the famous academies, where artists once spent their careers, have trimmed budgets and been forced to support themselves through commercial endeavor. At the same time, greater societal freedoms and the improved chances of commercial success have encouraged hundreds of young artists to seek professional careers.

"We're seeing a flood of painters and paintings in the market,

but more quantity than quality," said Alice King, whose Alison Gallery in Hong Kong represents Wang. "These days many people want to paint and sell as much as possible."

The patronage of Hong Kong's upwardly mobile, Western-educated "chuppies," eager to spend new riches creamed off the colony's staggering rise as an international trade and finance center, has offered many mainland Chi-

"The market still needs to sort itself out," said Manfred Schoeni, of Schoeni Fine Oriental Art in Hong Kong. "Certain artists are starting to become established, but with all the new work out there, it's difficult for many collectors to find their way through it all."

Schoeni, whose gallery is working closely with eight mainland artists, estimates there are anywhere from 5,000 to 10,000 professional painters working in China now. Of that number, he said only 20 are "established" and another 50 out there who "might find their way."

Schoeni and others trying to develop the contemporary Chinese painting market on an international scale worry that the preoccupation with immediate commercial success in the art market is proving too much of a distraction for all but the most dedicated artists.

"Suddenly, all the artists have catalogues and they're worried about how their prices compare," said Schoeni. "The younger artists understand, they don't care so much about selling, they care about showing their work. They know their time will come."

"But many of the older artists are less patient," said Schoeni, who advises the artists he supports to sequester themselves in remote areas and towns to concentrate on their work rather than worry about business.

With a committed supporter in Alison Gallery and his position at the Shenzhen Art Museum, Wang considers himself one of China's luckier artists.

"I'm not a commercial artist," said Wang, who was born in Shanghai in 1948 but did not start painting until he was 34 and then with limited formal study. "I'm not under pressure to sell."

KEVIN MURPHY reports from Hong Kong for the International Herald Tribune.

Artists are drawn to Shenzhen by its proximity to Hong Kong

These artists an opportunity to sell their work.

"When the stock market is up, it helps," said Mee-seen Loong, managing director of Sotheby's Hong Kong Ltd. of a record-breaking run in the local stock market that is coinciding with a rash of art auctions in late October and early November. "Everyone thinks they can afford to spend a little more money."

While Hong Kong dealers say there is a painter for every taste among the legion of new would-be exhibitors from mainland China, a general feeling exists among them that the whole contemporary Chinese oil painting scene needs to settle down before it can mature.

"It's a good time to be a buyer," said Maria Chu, head of Sotheby's Chinese painting division in Asia, of an auction schedule that may see 1,500 old and contemporary watercolors and oils come to the market. "I'd say the prices of all but a few of them have been revised downward."



Altar-step panel by the 14th-century artist Pacino di Bonaguada, which was sold in Paris to a Turin collector.

Auction Market Gets Its Art Together

Continued from page 7

paintings and drawings, mostly from private owners, often unrecorded or lost sight of long ago, are on view.

When I went to the Galerie Eric Turquin on Oct. 8, I saw a view of the Amsterdam harbor by the Dutch artist Regnier Nooms, known as Zeeman. Signed and dated 1654, it was sold on Oct. 24 at Doullens in Picardy by Denis Herbet for a world record 1.9 million francs. The picture is virtually in mint condition — it was refired in the 19th century at a time, Turquin notes crisply, "when they knew how to refire a picture." There was also a pair of very good seaside views attributed to Alexandre Noël (1752-1834), a follower of Joseph Vernet, and a "Saint Christopher" carrying the infant Jesus on his shoulder as he crosses the River Jordan by the artist Giuseppe Leonardo (1605-1656).

On that visit, I also glanced at two pictures to be sold at La Rochelle on Nov. 20 by Dominique Pringland. They can be seen at Turquin's until Nov. 16. One is "The Rape of Lucretia," done by Willem van Mieris, and the other a still-life by Evert Colliers done in the 1680s.

Among the pictures due to be auctioned in Paris later, the rarest is probably a view of the Brazilian city of Olinda done around 1650 by Frans Post. It will be at Turquin's until Dec. 10 before leaving to be sold by Jacques Tajan at Drouot on Dec. 15. That same sale will include a Canaletto, "The Return of the Bucentauro Arriving at the Doge's Palace on Ascension Day," done around 1731-1732. Submitted directly to Turquin by a private owner, it is estimated by



Eric Turquin



Bruno De Baysier

him to be worth 25 million to 30 million francs.

The system is nothing short of a revolution for Drouot. A few auctioneers in Paris are still loath to entrust their pictures to Turquin lest he should get too much credit by sheer virtue of being seen with the works. Provincial auctioneers, on the other hand, see the huge advantage of the system for them. Indeed, it is paying dividends far all concerned, month after month.

Interesting art-historical discoveries are made. On July 12, 1992, the auctioneer Jacqueline Cousin was selling a preliminary study for "Jesus and the Woman from Samaria at the Well." The location was the auction house at Les Andelys, in Normandy, where few would have seen it and fewer still recognized it had Cousin not been inspired enough to bring it to Turquin. It took the expert a week to connect it with the fully finished picture by François Lemoyne, which was painted in 1720 for the Sens Cathedral and has now been transferred to the Sens Municipal Museum. The preliminary study caught the eye of the curator of the museum while it was at Turquin's. He acquired it for his institution for 91,000 francs. Five months lat-

er, on Dec. 11, 1992, a small Florentine Primitive of the 14th century was sold at Drouot for 705,308 francs. Alain Godéau, of the Audap, Solanet, Godéau-Velliet Paris group, had submitted the panel to Turquin, who found that it is part of a dispersed *predella* (altar-step) by Pacino di Bonaguada. It was executed around 1330 for the Chiesa di San Procolo in Florence. Displayed at Turquin's for weeks, it was seen by a Turin collector, who was the successful bidder. Had it been auctioned as an anonymous 14th-century panel at Drouot, it might have gone for a seventh of the price.

There are dozens of similar examples. In short, Turquin has dramatically changed the name of the game where the Old Masters auctions are concerned. De Baysier has done even more. It is easy for international buyers to miss a drawing in black pencil, even if it is accurately identified, when lost in one of those many slim Drouot-style catalogues listing everything from a few prints to Louis XV chairs. If the drawing is sold outside Paris, it has little chance indeed of attracting international attention. De Baysier's increasingly large role has changed all that.

On April 25 this year, Philippe Rouillac was selling 56 sundry lots at the Château de Cheverny, a famous Renaissance chateau on the Loire. There was just one

drawing. It shows, as the lengthy French inscription on the back starts, "Camillus Besieging the City of Veies in Etruria . . ." and was exhibited at the Salon in 1771. De Baysier easily identified it as the work of Augustin Pajou, a renowned sculptor. The expert had it on view in his gallery during most of April. In the event, a French collector went for it, outbidding a New Yorker to the tune of 209,800 francs. Both saw it in the Galerie De Baysier. Otherwise, they would not have been aware of its existence.

On June 2, "Drouot Estimations," the auctioneering group set up to handle works submitted directly to Drouot for expert advice, sold 30 drawings in an auction that ran to 164 lots. They included a study of undergrowth in pastel, dated 1855, unsigned but clearly by Eugene Delacroix. Eugene Thaw, the great New Yorker dealer who is also a collector of 19th-century drawings, saw it at De Baysier's when he came to Paris for the opening of the exhibition of 18th-century drawings from the Pierpont Morgan Library. He is reported to have bought it through New York dealer Bob Habold, who got it for 104,000 francs.

Two weeks later, on June 18, a remarkable discovery authenticated by De Baysier turned up at Drouot. The drawing in black pencil on vellum is a portrait of the engraver Louis Boucher-Destroyers, done by Lagree in 1825. This was submitted to De Baysier by the group Audap, Solanet, Godéau-Velliet. Consigned by a descendant of the sitter, it was hitherto unrecorded. If it was the object of such intense competition, this is only because international buyers were in a position to see it at De Baysier's, where it was on view throughout May. The engraver eventually sold for a huge 3,065,860 francs, paid by Hazlitt, Goodden & Fox, of London.

Here, examples can be added by the dozen. From March 30 to July 1 this year, De Baysier performed as an expert at three auctions organized by the groups Audap, Solanet, Godéau-Velliet, Ader-Tajan, and Paul Renaud. These alone added up to 773 drawings. In addition, 15 auctions of mixed items included altogether more than 150 drawings. Examined by De Baysier, displayed at his premises where feasible and whenever they had any merit, all these were handled at least as well as they would have been at Sotheby's or Christie's.

Both Turquin and De Baysier personally answer questions and give detailed reports when needed. They cut out the red tape now plaguing Sotheby's and Christie's, and probably ensure greater confidentiality. If the French market could be generalized, the French market could make a huge leap forward.

SOUREN MELLIKIAN is art editor of the International Herald Tribune.

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Arts and Antiques / A Special Report

Sales of Impressionists and Moderns Show the Picture Is Rosy Again

By Souren Melikian

LONDON — The market for Impressionist and Modern Masters is alive and kicking once again. But it is a different world from the scene of the late 1980s, and a healthier one.

The first indication that a new balance was being struck came in New York last fall. Some world records were even set — two days in a row, actually — and with the same artist, Matisse. Last November, the portrait of a woman done in colors laid flat within broad contours like some poster, soared to \$11 million. The dealers, the media and, needless to say, Sotheby's staff, were ecstatic. The next day, it was Christie's turn to be jubilant. "Harmony in Yellow," a far more powerful painting incorporating the Fauve heritage, shot up to \$14.52 million. The Matisse show, which was on at the time, may have helped in this particular case, but big money was also spent on other artists.

Christie's had one of the most wonderful large-size paintings of lilies in a pond ever done by Monet. Dated 1919, its subtle composition rests essentially in color balance. It is a far cry from the half-finished, wily, waxy, drab expanses of ill-defined blue and green that have been sighted on the market in the last few years. It fully deserved the \$12.1 million that its unnamed buyer had to pay.

If success had stopped at a few very spectacular, very large paintings, it would hardly have signaled a true market revival.

More significant, perhaps, was the response elicited by a few small gems. One of these included in Sotheby's sale was the preparatory sketch in oils for the portrait of a little girl, the painter's own niece, whom he saw during his stay in New Orleans in 1872-1873. Seen three-quarters from the back, she wears a white frock with a big black velvet knot. Charming and



Cézanne's "Le Bassin du Jas de Bouffan," sold by Christie's for £1.4 million.

superbly done, the small thing (a mere 27.3-by-22 centimeters, or 10 1/2-by-8 1/2 inches), sold well at \$550,000.

Successes such as this seemed to suggest that true connoisseurship was now running the show. The mediocre scores of mediocre paintings rather bore out this view, as witness, for example, a second-rate Caillebotte, sold below the estimate for \$715,000.

Three weeks later in London, the late fall sales at Christie's on Nov. 30 and Sotheby's on Dec. 1 fully endorsed this interpretation, while leaving no doubt whatsoever that the market recovery was well under way. Christie's was particularly interesting for the evidence it provided of the high degree of so-

phistication displayed by the new buyers. A small group of paintings from the collection of Auguste Pellerin, which was formed in the main in the first two decades of this century, had been hyped to death.

Unimpressed, those attending drew a distinction between those works that justified competition, such as a highly elaborate study for one of the characters in "Les Joueurs de Cartes," which went up to an impressive £3.52 million, and those that were marvelous but had a very narrow market by virtue of their austere if bold handling. A superb view of the pond at Cézanne's house, "Le Jas de Bouffan," too stern to appeal to many, sold on a £1.4 million bid

matching the reserve. Whoever bought it does not just know about painting; he also knows how to work the system, i.e., not to overpay.

At Sotheby's the day after, one got the feeling again that a new breed (or, perhaps, one should say the old breed) of savvy players, aware of what they buy and how they buy it, was in the ring. One of the greatest Daumier studies in pen and wash seen in years soared to £297,000. "Avant l'audience: l'avocat et son client" would not have done better in the good old days when Armand Hammer was bagging any good Daumier in the offering. An elaborate study of a young boy in a sailor suit by Egon Schiele, as good as any that the

Austrian artist ever did, made £429,000, an enormous price in its category. Every school thus seemed to do well, as long as the work offered was sublime.

But here as before, hype, over-estimation or, worse, both at once, immediately elicited retribution. An abstract painting by Kandinsky, "Sketch 1" for "Composition VII," which was done in three days as the first true manifesto of the artist's militant Abstractionism, had been consigned by the Museum of Modern Art to Sotheby's. Its importance to art history, matched by such a glamorous provenance ("straight from the MOMA" sounds good), propelled it to £5.5 million. It might have made more if suggestions of extravagant estimates had not been floated shortly before the sale.

The next jump was made in New York during the usual mid-spring sales. Great pictures made prices that were positively dizzying. One of the most beautiful still-lives by Cézanne was up for sale at Sotheby's on May 11. The consignor, as all insiders knew, was a very great Greek collector living in Geneva, which added further to its appeal. This is reflected in the phenomenal \$28.8 million it cost that day. Next in rarity came the portrait of a Moroccan woman by Matisse. It could hardly have done better at any time than the \$14.3 million it climbed to.

If observers did not fully take in the extent of the recovery, this was because a string of mediocrities failed to make the grade. A realistic landscape painted by Monet in 1864, when the future Impressionist had barely mastered his craft, crashed at \$230,000. It never really stood a chance.

The day after, Christie's, learning its lesson from Sotheby's problems, displayed greater flexibility. A Picasso, a Degas, a Renoir, all best forgotten in the interests of Impressionism in particular and art in general, were allowed to go well below the low estimates. Here, the personality of Christopher Burge played its part. Burge, who was conducting the sale, has

the advantage of being one of the auction world's leading experts in the field. He is well-acquainted with its actors and understands their motivations. He has a precise sense of which work is so weak that to try and push it would be a futile exercise. He also knows how to extract an extra bid or two. A pastel by Degas thus soared, miraculously, to \$6.72 million. Russian dancers are seen in clumsy postures as if they were frantically stretching their heads. More remarkably still, a very large seaside view painted by Monet in 1868 in dark palette and a somber realistic manner, not remotely suggestive of the Impressionist manner he was shortly to develop, made \$9,682,500. Clever as its execution may be, it is atypical.

Its success proves the hunger of the market for anything that associates quality and a great name.

The late June sales in London confirmed that anything plausible now sells if offered with an estimate that makes sense. Prices, while lower than at the height of the early 1990 shopping frenzy, are nevertheless very high. Renoir's portrait of a young woman holding a basket of flowers, which was sold at Christie's on June 21, is reminiscent of German blue-eyed dolls made at the turn of the century. At £5.7 million, it is not exactly a giveaway.

The moment a picture of supreme good quality, no matter in which style, comes up, new records are set. At Sotheby's on June 22, a very rare and remarkable painting in oils by Daumier, showing a washerwoman walking with her child, set a new record for the artist at £1.65 million. So did a Surrealist picture by Paul Delvaux that brought £1,013,500.

More revealingly still, top quality in a minor financial league also elicits enthusiastic reactions. A time capsule surfaced in Sotheby's sale in the form of a group of paintings and drawings once owned by a descendant of the famous dealer of Impressionism, Paul Durand-Ruel. They all sold quite well, not for the sake of the name but because they

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"art." Or, phrased in its more common form, what is "not art" and therefore disintegrated to cultural consideration?

As the prime source of "not art" critics have targeted the venue for works, including performance art, that stress political correctness, the new morality of the American left, often without any recognizable aesthetic strategy.

Robert Hughes, the respected art critic at Time, led the savaging of a Whitney Museum exhibition of contemporary American art this summer that was widely denounced as an uninspired immersion course in the problems of marginality and victims. Instead of presenting artists as gifted stars, Hughes wrote, the didactic show extolled non-artists who function simply as "witnesses to a world made bad for blacks, Latinos, gays, lesbians and women in general."

Similarly, the "not art" charge has replaced the accusations of pornography that used to be the favorite hostile epithet for a performance artist like Karen Finley, who has scandalized audiences by manning with the public nude except for edible patches of chocolate-and-all-faça paste on some parts of her body.

At this juncture, President Clinton's choice as the new head of the National Endowment for the Arts seemed quite apt: Jane Alexander, 53, a respected, successful actress with 30 years' experience on stage, screen and television. By appointing a working artist, not a politician or an apparition from the arts-funding bureaucracy, President Clinton reassured conservative critics. They expect her, as a professional practitioner, to recognize "not art" and deny it taxpayer funding.

Alexander's arrival coincided with a widely discussed "60 Minutes" report on CBS television entitled "Yes — but is it art?" The program pronounced much of the most acclaimed current work to be "worthless junk."

As she started work this month, Alexander also struck a new, down-to-earth tone in her approach to steering the NEA onto a calmer course aimed at protecting its congressional funding. Vowing to end what she called the NEA's mistake of letting itself be defined by its critics, Alexander said that she intended to "get out the message to each community in America how the endowment has impacted on their community."

Despite the furor around conservatives' attacks on the NEA for funding allegedly subversive art,

all but a tiny fraction of its grants go to what can only be described as preservation of mainstream, even traditional, arts. Typical recipients are city orchestras, small town ballet troupes, theaters performing classics in repertory.

In its nearly 25 years of existence, the endowment has made almost 100,000 grants, yet it remains one of the smallest federal agencies. Its current appropriation of around \$175 million amounts to less than two-hundredths of 1 percent of the federal budget.

The NEA became a lightning rod for national controversy early in the Bush administration when the Concerto Gallery, an NEA-funded museum in Washington, canceled a show of Robert Mapplethorpe photographs, apparently because the director feared that

conservative politicians would be irate at the material.

Reacting to the ensuing culture war, the White House found a new man to head the NEA: John Frohnmayer, a socially prominent Oregon attorney, who was billed as coming from "the West," notionally more populist than the elitist East Coast establishment.

Once in office, however, Frohnmayer seemed to undergo a conversion to the idea that the NEA should support all projects claiming to be on the cutting edge, no matter how shrilly conservatives denounced them. He was eventually fired by Bush.

JOSEPH FITCHETT is on the staff of the International Herald Tribune.

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Old Masters: The Surprise Element

By Souren Melikian

LONDON — Slowly, but irresistibly, Old Masters are looming larger and larger in the art market. As the great works of Impressionism and the avant-garde movements that came in its wake gradually vanish from the scene, swallowed up by museums and foundations, collecting late 19th- and early 20th-century masters slowly loses its appeal. High-quality pictures now only appear at very wide intervals and the middle range has become exorbitant.

By contrast, the many schools of the past are still represented by tens of thousands of paintings in private possession. Discovery remains plausible. The surprise element gives every good Old Masters sale a spice that is sorely lacking in Impressionist and Modern Masters auctions. Last December, Christie's could boast among other things included in its London sale, an early "Entombment" by Rubens. It had been lost sight of since it was sold in Brussels in 1921. Believed to have been executed around 1616-17, the religious scene highlights the debt of the artist to the Northern Caravaggesque movement. Connoisseurs were intrigued and attracted. One of them ran it up to £1.045 million. This was more than the £500,000 to £800,000 Christie's hoped to get, but by the standards of the Impressionist market it is peanuts — \$3 million would get you only a third-rate Monet.

Those who cannot ascend to such financial heights had the choice of indulging in another discovery. Pietro Antonio Rotari (1707-1762) is a charming painter born in Verona who worked in his hometown before moving to Germanic capitals — Vienna, Dresden — where he lived between 1749 and

1756. At that point, he left for Russia and spent the last six years of his life there. A small masterpiece of his shows a young girl holding up a muff with which she protects her nose and mouth from the icy wind. Unpublished and indeed hitherto unrecorded, it was found irresistibly by experienced dealers themselves. Agnew's bought that one for £52,800, 250 percent above Christie's high estimate.

In the latest important sale at Christie's, London, on July 9, discoveries continued. An absolutely wonderful Italianate landscape by the Dutch painter Jan Both turned up out of the blue. Mentioned once in academic literature, but never illustrated, it was a superb buy at £177,500. And the list goes on.

It must be added that buyers have gradually been awakening to the potential of Old Masters in the last decade or so. When a remarkable "Crucifixion" by no less a star than Tintoretto, was consigned to Sotheby's for sale in November 1970 by the Portsmouth Roman Catholic Diocesan Trustees, it made a modest £5,000. Five years later, interest was mildly keener. In July 1975, the "Crucifixion" made £15,000, again at Sotheby's. Last July, there was a marked quantitative leap: The price was £32,500.

Museums are vividly aware that Old Masters represent one of the few areas where opportunities lurk around the corner. Some institutions are better than others at that game. Standing head and shoulders above the fray is the Kimbell Museum of Art in Fort Worth, Texas. In the last quarter of a century, it has built a most impressive collection. Last January, the museum lived up to its reputation when a sensational picture came up at Sotheby's, New York.

The portrait of a man painted on a wood panel is as wonderful as

it is intriguing. No doubt remains concerning the identity of the sitter, whose name is given in an inscription written at the top in beautiful Gothic lettering. He is Jakob Hobeicht, famous in his time as a composer who lived in Flanders. That would point to a Flemish provenance prior to 1505, when the composer died, were it not for the handling of the face, alive and alert, its bright eyes make it quite unlike the characters of 15th-century Bruges and Ghent absorbed in religious meditation. There is a French feel to it, making one wonder whether the source is not to be sought in some place where Flanders and France met.

This is one of the few areas where opportunities lurk around the corner.

Perhaps the court of Charles the Bold, in Burgundy? Enhancing the mystery, the color effect achieved in the picture irresistibly calls to mind the drawings of Dürer and his circle. Thin streaks of white indicate the folds on the dark blackish blue of the dress.

Most institutions like to play it safe. They would shun beauty surrounded by question marks. Buying as a high-powered private collector might, the Kimbell added to its rich holdings this masterpiece, in mint condition except for very minor scratches, at a cost of only \$2.2 million. True, this was triple the estimate, but only because estimates had been given according to category rather than to intrinsic quality. Indeed, no auction-house expert could have reasonably taken the risk of putting a higher value on an anonymous work that falls outside the pattern of instantly identifiable artists or schools.

For a variety of reasons, the field is likely to remain open to talented art hunters for a while. Great connoisseurs of Old Master paintings are few among present-day collectors. It takes a different kind of knowledge from 19th- and 20th-century art, wider in its scope and more difficult to acquire. A gifted collector could conceivably bone up on, say, Monet, by going around half a dozen museums worldwide and buying the catalogue raisonné, and detailed studies relating to the artist's oeuvre. This is not possible for, taking examples at random, such well-known masters as the

Dutch landscapist Jan Both, the Dutch bird painter Melchior Hondedeoeter, or the Venetian Francesco Guardi. Their oeuvre is scattered the world over.

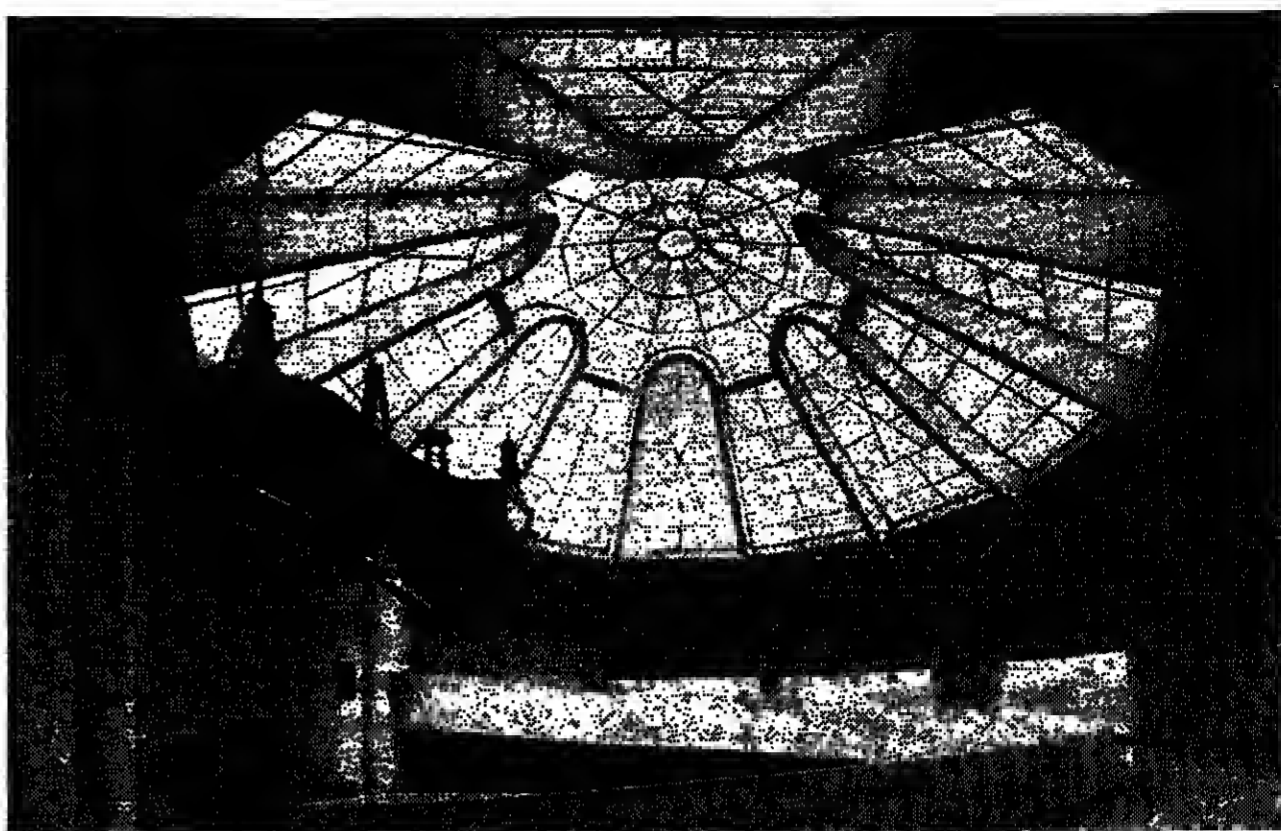
Even those pictures that are not actually unrecorded can remain virtually unknown. On July 9, one of the most impressive Hondedeoeters I remember seeing turned up at Christie's. The birds in it are not just strewn about in a decorative manner. They have the presence of human beings and are arranged in the beautiful setting of a park. It all has a perfectly surreal feeling.

The picture surfaced in New York in a Christie's sale in June 1981, and sold for \$309,000. Apart from the 1981 and 1993 sale catalogues printed by Christie's, it has never been illustrated. Fully signed, the large, well-preserved painting, as impressive as ever, sold on July 9 for £31,500. It was one of the past season's clever buys.

In the same Christie's sale, a masterpiece of Italian portrait painting in the 16th century came up under the denomination "Domenico Riccio, called Brusaorci (c. 1516-1567)." Christie's experts note in the catalogue that it was sold at Lempertz in Cologne in 1935 as a Paris Bordone. When offered at Christie's in London in 1947, it was called a Veronese, echoing the views of L. Vertova and B. Berenson. The current Brusaorci label is due to Roger Reanick. There is now a catalogue raisonné for Vermeer (T. Fignatelli and F. Pedrocchi), but still none for Brusaorci, about whom studies are scattered in learned journals.

When looking at such a picture, the potential buyer is left to his own resources — his eye, his visual memory. A Venetian lady standing full-length is seen in stately attire, her hand dangling at a little dog perched on a chair that looks up enquiringly. The expression on the face is watchful, self-controlled, impenetrable. The portrait is in the grand Veronese tradition, whoever did it was an accomplished master. Estimated to be worth £15,000 to £20,000, it climbed to £30,000 (£34,500 with premium) paid by Julian Agnew.

The connoisseur dealer, highly Italianate in his inclinations, as are many educated Britons with a traditional background, could not resist the lure of this "uncommercial" painting. Even with the dealer's profit added to it, the portrait is unlikely to be resold at a madly high price. Such are the great attractions of an area where only those with a highly trained eye can tread without peril.



Rebecca Horn's sculptural installation "Concert for Anarchy" at the Guggenheim Museum.

German Artists Find a Forum in N.Y.

By Dana Micucci

NEW YORK — The New York art world has taken on a distinctly German flavor over the past several months, with major museum exhibitions devoted to contemporary German artists, the establishment of several new galleries by young German dealers, and the opening of a *Kunsthal*.

Last spring, the Museum of Modern Art presented the first American retrospective of the drawings of Joseph Beuys, one of the most influential artists of this century, while the Guggenheim Museum held important exhibitions of works by contemporary German photographers, the installation artist Lothar Baumgarten, and sculptor and performance artist Rebecca Horn.

The recent focus on German art was spurred by the discovery here in the early '80s of German Neo-Expressionists such as Aaseim Kiefer and Georg Baselitz, according to Diane Waldman, Guggenheim deputy director and senior curator.

"The Neo-Expressionists were given a lot of exposure at the Venice Biennale a decade ago, and they just took off from there," said Waldman, who is curating a 1995

Baselitz retrospective for the Guggenheim. "Some New York galleries saw this new trend, which represented a break from Minimalism, and began showing more German artists. At that time, people were becoming interested in figurative art again and a painterly type of expression."

Also fueling American interest in German art was last year's Documenta exhibition in Kassel, which focused a lot of attention on Beuys.

"Beuys's preeminence has helped more contemporary German artists gain recognition," added Waldman. "Horn and Baumgarten are heirs to the conceptual Beuys tradition. Also, the German emphasis on photography and installation and performance art has renewed interest here in these fields."

Established dealers such as Marion Goodman, who represents Horn and Baumgarten along with other German Conceptualists, and Cologne-based Michael Werner have played a key role in introducing contemporary German artists to the American public.

"We have tried to increase Americans' understanding of German artists such as Baselitz, A. R. Penck and Sigmar Polke, who have been established in Europe for years," said Gordon VeneKla-

sen, director of the Michael Werner Gallery. "We have seen a growing interest in these major postwar German artists. Now that the art market has become more insecure, museums and collectors are looking at art with strength and historical significance. And they are finding that high-quality German works are selling at lower prices than works by well-known contemporary American artists."

SEVERAL galleries, recently opened by a group of young German dealers from Cologne, have further internationalized the New York art scene. "New York is the most vital art center right now," said David Zwirner, 28, the son of Cologne dealer Rudolf Zwirner, who exhibits the work of emerging European and German artists at his SoHo gallery.

Another young German dealer, Friedrich Petzel, has established a gallery in his home in SoHo to show the work of young international artists who are not being exhibited by the large galleries. "It's a perfect time to open a gallery in New York," said Petzel, who is the director of SoHo's Metro Pictures gallery. "Now that all the hype of the '80s is over, people are more open to newer artists. This would have been more difficult to do in a city like Berlin, where there are so many social and political concerns. Art is not a major focus there now."

Thomas Moller's and Matthias Held's Lok Gallery, in the city's West Village, is modeled on Beuys's ideal of art as a social enterprise that is accessible to ev-

eryone. "We're trying to spark things up here and make art less intimidating," said Moller, who organizes "live" event-oriented installations that often expand into a nearby nightclub. The gallery also presents traditional exhibitions of work by contemporary artists, including the Germans Anton Henning and Bernd Naber.

Another German presence that has changed the landscape of the New York art scene is The New York Kunsthalles, which opened this spring in the city's East Village. Kunsthalles, which first appeared in Germany and Switzerland during the 18th and 19th centuries, are contemporary art exhibition spaces without a permanent collection that serve as counterparts to museums.

"Our aim is to show challenging new work by emerging and established artists that wouldn't otherwise be shown in commercial galleries," said Martin Kuo, founding director of the New York Kunsthalles and former director of the Kunstmuseum in Lucerne, Switzerland. "We will also provide a forum for more European art in New York."

Kunz noted that the growing interest here in contemporary German art is rooted in a cross-cultural dialogue between the American and German art worlds. "Since the late '60s, when Joseph Beuys's artistic theories were absorbed in the international arena, American and German artists have been increasingly influencing each other," he said.

DANA MICUCCI is a journalist based in New York.

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Arts and Antiques / A Special Report

Putting a Ceiling On Restoration In Tuscany, Purist Facelifts Can Be the Enemy of History

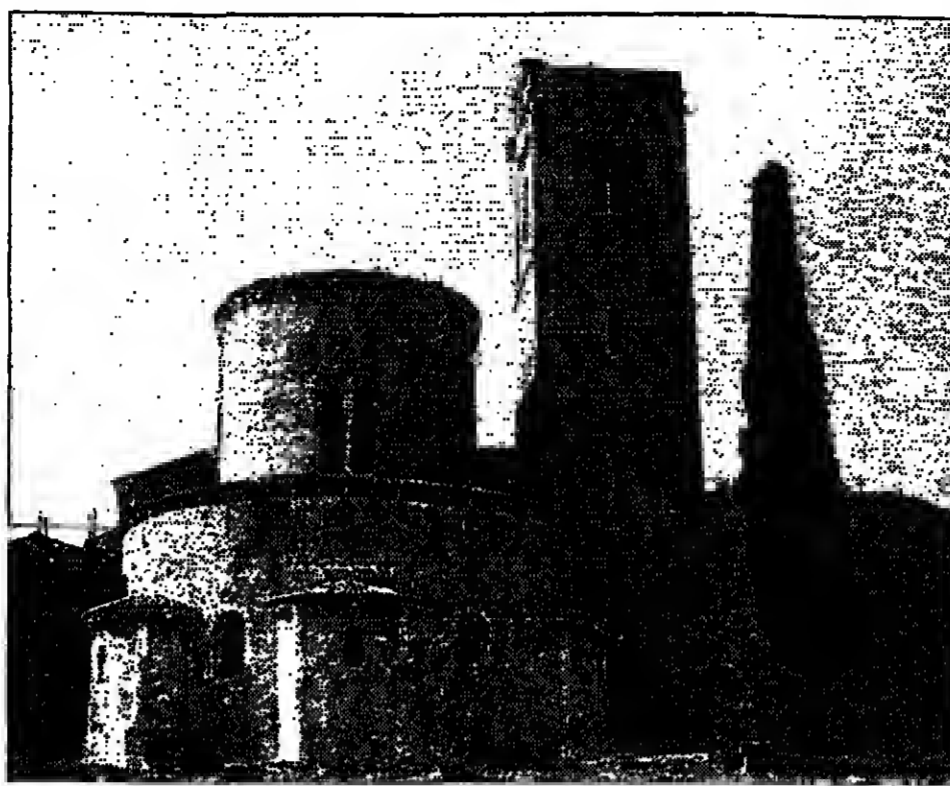
By Susan Lumsden

MONTALCINO, Italy — One of the most tangible results of the inflated '80s in Italy, now contracted in crisis, was the restoration boom...



Sandro Chia

1992, even the anonymous Frankish and Lombard rockpiles of the Middle Ages were being reclaimed by construction cranes...



The restored abbey of Sant'Antimo in Montalcino, Italy.

These smaller jewels of "natural or environmental" interest are, nevertheless, subject to municipal rules laid down by the ministry of cultural property.

foreigner on a tractor here than an Italian," said Franchina. "In fact, the English, Swiss or Germans who have bought property are much more respectful of local ways and of restoration than the Milanese or Romans, who came here to entertain and sleep.

old farmhouse die than be an accomplice to its assassination." If the restoration boom resounded into the countryside, it also had a major impact in the cities of art, particularly Florence.

Italy's Vanishing 'Museums' Wave of Art Thefts Threatens Patrimony

By Roderick Conway Morris

VENICE — Italy's identity is inseparably bound up with the unique continuity and wealth of its material culture — a point not lost on the terrorists, who elsewhere might try to blow up airliners, oil installations or chemical plants...

and a Renoir from a public gallery, and in Padua, a similarly church and seized into a service in St. Antony's church and seized into a service in St. Antony's church...

RODERICK CONWAY MORRIS is based in Venice and writes for The Spectator and The New York Times.

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100.00	95.00	Microsoft	0.00	0.0%	15.0	105.00	90.00	500000	+5.00
50.00	45.00	Apple	0.00	0.0%	12.0	55.00	40.00	200000	+5.00
20.00	18.00	Amazon	0.00	0.0%	10.0	22.00	15.00	100000	+7.00
10.00	9.00	Google	0.00	0.0%	8.0	11.00	7.00	50000	+4.00

12 Month High	Low	Stock	Div	Yield	PE	13 Week High	Low	Volume	Change
15.00	14.00	AT&T	0.50	3.3%	10.0	16.00	13.00	1000000	+2.00
12.00	11.00	Verizon	0.40	3.3%	10.0	13.00	10.00	800000	+3.00
8.00	7.50	Qwest	0.20	2.5%	12.0	9.00	7.00	600000	+2.00
6.00	5.50	Sprint	0.15	2.5%	12.0	6.50	5.00	500000	+1.50
4.00	3.50	WorldCom	0.10	2.5%	12.0	4.50	3.00	400000	+1.50

12 Month High	Low	Stock	Div	Yield	PE	13 Week High	Low	Volume	Change
10.00	9.00	Bank of America	0.40	4.0%	10.0	11.00	8.00	1000000	+3.00
8.00	7.00	Wells Fargo	0.30	3.8%	10.0	9.00	6.00	800000	+3.00
6.00	5.00	Citigroup	0.20	3.3%	12.0	7.00	4.00	600000	+3.00
4.00	3.50	JPMorgan Chase	0.15	3.8%	10.0	4.50	3.00	500000	+1.50
2.00	1.50	Goldman Sachs	0.05	2.5%	12.0	2.50	1.00	400000	+1.50

12 Month High	Low	Stock	Div	Yield	PE	13 Week High	Low	Volume	Change
15.00	14.00	Merck	0.50	3.3%	10.0	16.00	13.00	1000000	+3.00
12.00	11.00	Pfizer	0.40	3.3%	10.0	13.00	10.00	800000	+3.00
10.00	9.00	Johnson & Johnson	0.30	3.0%	13.0	11.00	8.00	600000	+3.00
8.00	7.00	Novartis	0.20	2.5%	12.0	9.00	6.00	500000	+3.00
6.00	5.00	Roche	0.15	2.5%	12.0	7.00	4.00	400000	+3.00

12 Month High	Low	Stock	Div	Yield	PE	13 Week High	Low	Volume	Change
10.00	9.00	Boeing	0.50	5.0%	10.0	11.00	8.00	1000000	+3.00
8.00	7.00	Lockheed Martin	0.40	5.0%	10.0	9.00	6.00	800000	+3.00
6.00	5.00	Raytheon	0.30	5.0%	10.0	7.00	4.00	600000	+3.00
4.00	3.50	Northrop Grumman	0.20	5.0%	10.0	4.50	3.00	500000	+1.50
2.00	1.50	General Dynamics	0.10	5.0%	10.0	2.50	1.00	400000	+1.50

12 Month High	Low	Stock	Div	Yield	PE	13 Week High	Low	Volume	Change
15.00	14.00	3M	0.50	3.3%	10.0	16.00	13.00	1000000	+3.00
12.00	11.00	Eastman Chemical	0.40	3.3%	10.0	13.00	10.00	800000	+3.00
10.00	9.00	DuPont	0.30	3.0%	13.0	11.00	8.00	600000	+3.00
8.00	7.00	Dow Chemical	0.20	2.5%	12.0	9.00	6.00	500000	+3.00
6.00	5.00	Eastman Kodak	0.15	2.5%	12.0	7.00	4.00	400000	+3.00

12 Month High	Low	Stock	Div	Yield	PE	13 Week High	Low	Volume	Change
10.00	9.00	General Electric	0.50	5.0%	10.0	11.00	8.00	1000000	+3.00
8.00	7.00	Westinghouse	0.40	5.0%	10.0	9.00	6.00	800000	+3.00
6.00	5.00	Lockheed Martin	0.30	5.0%	10.0	7.00	4.00	600000	+3.00
4.00	3.50	General Electric	0.20	5.0%	10.0	4.50	3.00	500000	+1.50
2.00	1.50	General Electric	0.10	5.0%	10.0	2.50	1.00	400000	+1.50

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THE TRIB IN

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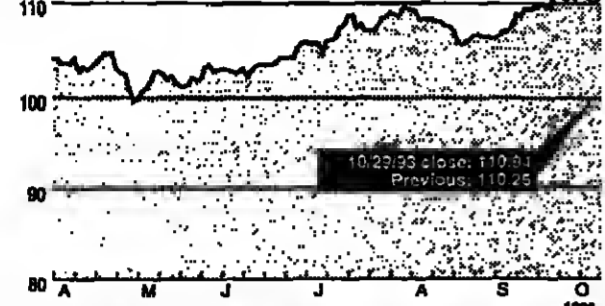
BUSINESS



International Herald Tribune, Saturday-Sunday, October 30-31, 1993

THE TRIB INDEX: 110.94

International Herald Tribune World Stock Index, composed of 230 internationally investable stocks from 20 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

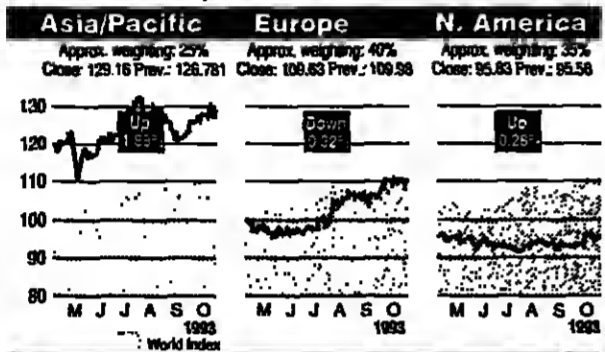


Table with 3 columns: Region, Industry, and % Change. Rows include Energy, Utilities, Finance, Services, Capital Goods, Raw Materials, Consumer Goods, and Macroeconomic.

For readers desiring more information about the International Herald Tribune World Stock Index, a booklet is available free of charge by writing to Trib Index, 181 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

McDonnell Gets Big U.S. Order

By Jacques Neher

WASHINGTON — McDonnell Douglas Corp. received a \$1.6 billion Air Force contract for six more C-17 transport planes, the Defense Department said Friday.

The contract represented the fifth production segment for the C-17 program. About 20 C-17s have been bought by the Air Force in the past for \$3.1 billion.

The Air Force has been negotiating this contract for about 18 months, so it appeared to be a coincidence that the award was disclosed the same week that John Deutch, undersecretary of defense for acquisitions, told House Armed Services Committee members that he would allow the Air Force to buy as many as 40 C-17s, a third of a 120-plane order the Air Force was expecting.

Mr. Deutch is leading a review of the C-17 program that is expected to conclude work in late November. Until the committee briefing had been speculation that Mr. Deutch had decided to fund 40 planes, a target that will probably be reached in late 1996 or early 1997, and then reevaluate the program.

Some observers believed that Mr. Deutch had decided to fund 40 planes, a target that will probably be reached in late 1996 or early 1997, and then reevaluate the program. The Air Force might then be allowed to purchase additional planes.

Mr. Deutch also has decided to pay McDonnell Douglas \$400 million to settle a billing dispute for past C-17 work.

McDonnell Douglas said Thursday that even if it reaches a settlement with the government in the dispute, it will probably have to record a \$450 million charge against the C-17 program.

Wait, Sweden Tells Volvo Renault Pact Spurs Second Thoughts

By Jacques Neher

PARIS — Less than two months ago, Louis Schweitzer, chairman of Renault SA, and Per Ahlstrom, chairman of Volvo, met amid fanfare to announce the merger of the French and Swedish automakers to create the world's sixth-largest automotive group.

As the two now approach the altar, a growing and vociferous crowd on the Swedish side of the aisle is threatening to wreck the big day, casting serious doubt on the first major international European auto merger as well as the subsequent privatization of Renault.

The protests mounting in Sweden among Volvo shareholders, the media and some politicians highlight the kind of conflicts likely to arise in future mergers or alliances involving Europe's national companies.

"We're going to see more of these rearranged actions as Europe faces the fact that for each country to have its own airline and each country to have its own carmaker is a luxury we can't afford," said Piers von Simson, director of international mergers and acquisitions for S.G. Warburg & Co. in London.

Questions of sovereignty, both political and economic, lie at the heart of the issue, as Sweden expresses fears that the French company, and by extension the French government, will be in a position to exercise power over

Swedish jobs, research and industry.

The protest began this month when an association representing small shareholders announced it would stage a proxy battle against the merger, which is to be voted on by Volvo shareholders Nov. 9. Since then, a union representing Volvo engineers, concerned that research and devel-

opment would be shifted to France, also has come out against the deal.

Some suggest that shareholders may ultimately go along with the merger, but only if the French government agrees to commit itself to privatizing Renault by a certain time and to discard or restrict the use of its "golden share" in the holding company.

"It won't be a 'yes,' but a 'yes with certain conditions,'" said Anders Roslund, analyst with Handelsbanken Investment Banking in Stockholm.

He said shareholders and the larger Swedish public wanted a

guarantee on the privatization of Renault for different reasons.

Shareholders, he said, fear that as long as Renault remains in state hands, company decisions might not be based on market economics or concern for return on investment but might be made to advance French government policy — specifically, protecting French jobs.

Executives of both companies, as well as government officials, are clearly worried about the mounting protests and attempting to respond.

Volvo's financial director, Jan Engstrom, said Friday that there could be further changes in the planned merger.

"It is true that we have a memorandum of understanding that is very detailed, but smaller changes could come in both small and large issues," he told Reuters. He did not elaborate.

On Thursday, Gerard Longuet, the French industry minister, told a Swedish financial newspaper, Dagens Industri, that his "objective" was to privatize Renault-Volvo during the second half of 1994, if the auto industry's current decline stabilizes.

Analysts in Sweden said some of the shareholder discontent with the deal was also tied to what they called its bad timing. They said the accord had been put together when Renault was strong and Volvo weak. But now that the companies' fortunes are being reversed, they said, many believe they could get more value for their Volvo shares if the deal were renegotiated a year or two from now.

Loss at Nissan, Steel Layoffs Add To Japan Gloom

Compiled by Our Staff From Dispatches

TOKYO — Nissan Motor Co., Japan's second-largest carmaker, sank deeper into the red in the first half of the financial year because of the yen's steep rise and poor sales at home and abroad.

In a separate announcement showing the depth of Japan's continuing slump, Nippon Steel Corp. said it planned to cut 7,000 steel-related jobs over three years beginning April 1.

Nissan said its pretax loss widened to 28.93 billion yen (\$265.7 million) in the six months ended Sept. 30, more than double its loss of 14.24 billion yen in the year-earlier period.

Still, the result was better than Nissan's earlier forecast of a 40 billion yen pretax loss, partly because of profit from sales of securities, Heichi Hamamoto, an executive managing director, said.

Nissan's loss from operations, however, widened to 38.59 billion yen from 17.27 billion yen as its sales fell 6.8 percent to 1.78 trillion yen.

Nissan continued to forecast that business would improve in the second half — a view that analysts and many others do not share. Nissan said it planned to speed up a previously announced restructuring plan. It will now cut its work force by 5,000 within two years, rather than three years, and slash production costs more deeply than planned, one senior official said.

day that maturing car markets in Japan, the United States, Canada and Europe, combined with a strong yen and inflated prices of Japanese cars abroad, meant that Japanese carmakers must reduce their reliance on exports and confront a need for change.

Honda blazed a trail for Japanese automakers three years ago when it launched a cost-cutting program to slash spending on production and development, reduce its workforce by about 7 percent and shift more production to the United States.

"Honda is in a better position than other Japanese car companies in this respect," Ben Moyer, an auto analyst for Merrill Lynch Japan Inc., said.

"Their fixed costs have been falling over the last years, while those of the other automakers have been stable or rising."

Japan Air Lines said it had a net loss of 3.36 billion yen in its first half, ended Sept. 30, citing a sluggish economy and the yen's rise. The Associated Press reported.

The loss was a slight improvement over the 3.60 billion yen loss registered during the same period a year earlier.

The carrier said intensive price competition with foreign airlines and the cold, wet summer in Japan also depressed sales and earnings. Sales fell 9 percent to 500.38 billion yen from 549.59 billion yen.

ECONOMIC SCENE

Do Those Huge Salaries Really Help Bottom Line?

By Peter Fassell

NEW YORK — In 1990 the average take-home pay of the partners in the law firm of Cravath, Swaine & Moore exceeded the total salaries of all nine members of the Supreme Court. Chief executives of the Fortune 500 did pretty well that year, netting an average of \$1.4 million — roughly 40 times the average for public school teachers.

Yes, it is getting harder to work up a lather over such familiar outings. But the source of these numbers, Derek Bok's new book, "The Cost of Talent," (The Free Press) offers more than a rebuke of the old stuff.

Rather than focusing on the pay gap between the skilled and unskilled workers, the former president of Harvard and dean of its law school hones in on the divergence in pay among professionals, a subject just beginning to capture the attention of labor economists.

And while Mr. Bok is better at describing the consequences than the cure, the phenomenon — and the book — are disturbing.

Economists have been telling each other for decades that wages are determined by the value an extra worker can bring to the job.

Simple as it sounds, and hard to prove, marginal productivity theory is still more or less the state of the science of wage determination and income distribution.

But what seems to answer a question as old as Karl Marx in comparing the lot of skilled workers with that of the proletariat does not hold up very well in explaining why, say, auto executives earn more than nuclear chemists.

Mr. Bok, a lawyer who knows his economics, is happy to amplify. "We're talking about unique services," he argues, where there "is an imbalance of information between professionals and the people who employ them."

It is hard enough to figure whom to hire or what to pay them if the work is merely important — say, tax accounting.

And when it is a matter of life or death, the information vacuum looms as black as outer space. "Can you imagine someone looking for the lowest-cost heart surgeon, even if insurance didn't pay?" Mr. Bok asks.

One apparent consequence, which Robert Frank of Cornell and Philip Cook of Duke have labeled the "winner take all" phenomenon, is a broadening of the star system beyond sports and entertain-

See SCENE, Page 14

New Lease on Life for Canary Wharf

By Erik Ipsen

LONDON — Canary Wharf, Europe's largest new office development, reemerged from receivership Friday, aided by an official green light from the British High Court, by fresh funds from its lenders and by the go-ahead from the British government to build a vital new subway link to the site.

"We are back in business," said Sir Peter Levene, Canary Wharf's newly appointed chairman.

The 4.5 million square-foot (405,000 square-meter) project, situated in the depressed Docklands area just east of the City of London financial district, had been placed in administration in May of 1992 following the bankruptcy of its developer, Canada's Olympia & York Developments Ltd.

Built at a cost of £1.5 billion (\$2.3 billion), property experts estimated that it was probably worth only one-tenth of that sum today.

The scale of the disaster was clearly evident earlier this month when Canary Wharf's unsecured creditors agreed to accept up to 15 pence for each pound owed to them.

At a press conference to mark the signing of the first contracts for the extension of the Jubilee subway line, Transport Secretary John MacGregor hailed the signing as "good news"

for the Docklands, for London, "and for the construction industry."

He predicted that the £1.7 billion subway extension would generate 22,000 jobs over the life of the project, which has been estimated at four years and five months. It was the government's insistence that the private sector should bear £400 million of the cost of that line that contributed to the lengthy delays preceding the start-up on Friday.

In the end, crucial financing came from the European Investment Bank, which is owned by the various European Community governments. It agreed to put up £98 million in cash now, with the remainder to be supplied by the project's consortium of 10 bank lenders over the course of 24 years following the completion of the line's construction.

Francis Carpenter, an official of the investment bank, explained his bank's support by noting that Canary Wharf was "of such magnitude to be of European significance." He also saw the bank's contribution as being consistent with pledges made at last December's EC summit meeting in Edinburgh to prime the pump of job creation in Europe with public spending.

The long-awaited revival of Canary Wharf, which is now owned by its banks, and the go-ahead for the Jubilee Line, were widely hailed as the salvation of the entire Docklands area.

Currently about 4 million square feet of space, 40 percent of the total, stands empty.

"The whole area has been in a state of limbo for the last year and a half waiting for this," said Andrew Lowe, a director at DTZ Debenham Thorpe, a property consultant.

But others worried that the good news for Docklands could hurt the rest of the London property market, which only recently has shown signs of emerging from its deepest slump in decades.

"It is definitely not good news for central London," said Geoff Marsh, managing director at Applied Property Research. He and others worry that a more accessible Docklands would spell more competition for the millions of square feet of space currently standing empty elsewhere in London.

Canary Wharf's new management insisted that the project would not be as competitive as it had been in the past when Olympia & York had offered deep discounts. "We will not give space away for nothing," pledged Sir Peter, the former head of procurement for the Ministry of Defense.

Once billed as an adjunct to the City of London financial district, which lies 2.5 miles (4 kilometers) to the west, Canary Wharf was supposed to be filled by upscale banks and brokerages.

U.S. Investors Flock to Stock Funds

By Floyd Norris

NEW YORK — In a surge of buying, Americans poured billions of dollars into stock funds this month. And there seemed to be an attraction to more speculative funds.

"Our sales have been just up and up and up," said Don Webber of State Street Research, a fund manager, speaking of the year. "But this month, sales of equity funds are up 47 percent from last month."

Sales of foreign stock funds had accelerated in August and September, and that continued in October, fund managers said, adding that there was particular strength in the flow of cash to funds that invest in Latin American and Asian markets.

In September, stock funds that

invest either solely or primarily in foreign stocks took in \$3.8 billion, down from a record \$5.4 billion in August.

At Fidelity Investments, the largest mutual fund company, "it is the highest month on record for net sales," said Neal Livack, an executive vice president. He noted that in October, the month of sharp market drops in 1987 and 1989, "had sort of taken on a superstitious connotation," and said "our investors chose to ignore it."

The surge of stock fund sales in October came after a slip in sales of domestic stock funds in August and September. In September, those funds brought in \$5.3 billion, down from \$6.6 billion in August and just over half the monthly record of \$10.2 billion, set in March, according to figures released

Thursday by the Investment Company Institute.

Those slowing sales had left such funds with relatively low cash levels at the end of September — 8.5 percent of assets, the lowest since March 1992. But the flow of money this month apparently provided the fuel to drive up stock prices.

Mr. Livack added that there had been much greater interest in speculative funds and cited heavy sales of sector funds, particularly those in telecommunications and health care, and in funds that invest in small-capitalization stocks.

The telecommunications stock craze, intensified by Bell Atlantic's agreement to acquire Tele-Communications Inc., was also cited by GT Global Financial Services, a group strongest in international funds.

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CURRENCY & INTEREST RATES

Table with multiple columns: Currency, Rate, and Interest Rates. Includes sections for Cross Rates, Eurocurrency Deposits, United States Rates, and Forward Rates.

Table titled "Tokyo Bourse Apologizes For JR East". Text: "TOKYO — The Tokyo Stock Exchange, under fire from Japanese brokers, apologized Friday for its sudden suspension of trading in JR East Japan Railway Co., Japan's biggest privatization in six years." Includes a quote from Yukihiro Matsunaga, the exchange's managing director.

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MARKET DIARY

Industrials Retreat, Small Shares Gain

NEW YORK — The stock market drifted to a mixed finish Friday as investors awaited further clues to the economy's condition...

The Dow Jones industrial average fell 7.27 points to 3,680.59. Advancers outnumbered decliners 3-2 and volume totaled 367.89 million shares...

N.Y. Stocks 367.89 million shares, off from 367.9 million shares on Thursday. Broader market indicators managed to move moderately higher...

The Standard & Poor's 500 index was up 0.11 at 467.84 after spurring 3.12 to 467.73 on Thursday. Auto, oil, long-distance phone companies and banks were among the weakest issues...

The Nasdaq 100 index was up 3.48 points, at 781.97, led by Nextel Communications Inc., Microsoft Corp., Cisco Systems Inc. and Oracle Systems Corp.

Market-watchers said that many investors were taking profits and refraining from making major new commitments as they tried to gauge recent data and decide whether the U.S. economic expansion has gathered momentum. Next week the

Positive Economic Data Give the Dollar a Lift

NEW YORK — The dollar rose Friday, lifted by some favorable economic news in listless trading that preceded a lull week in several European markets.

The currency closed at 1.6870 Deutsche marks, up from 1.6742 DM Thursday, and at 108.50 yen, improved from 108.145 yen, even after analysts said a shortage of liquidity had slowed down buying.

The dollar got a boost early in the North American session from a moderately bullish report on personal income, which rose 0.2 percent in the United States in September. Personal consumption, however, rose 0.3 percent at the same time.

Additional support for the dollar came from a stronger-than-expected report from the Chicago purchasing managers' group, whose index jumped to 57.0 percent in October from 54.5 percent the previous month.

Analysts said the jump suggested America's manufacturing sector was poised for a period of strong growth.

Traders also said the rise raised hopes that the National Association of Purchasing Management index, due on Monday, would show a similar gain.

Most Continental European markets will be closed Monday for the All Saints Day holiday.

Against other major currencies, the dollar was quoted at 1.4925 Swiss francs, up from 1.4775 francs, and at 5,406.00 French francs, compared with 5,857.00 francs. The pound eased to \$1.4815 from \$1.4883.

The Dow

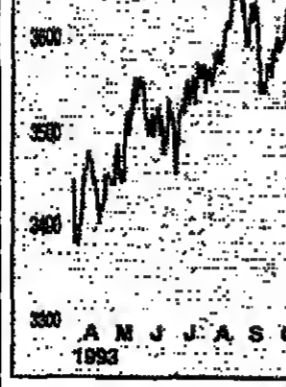


Table of NYSE Most Active stocks including IBM, Microsoft, and Oracle Systems Corp.

Table of NYSE Diary showing advanced, declined, and unchanged stocks.

Table of Amex Diary showing advanced, declined, and unchanged stocks.

Table of NASDAQ Diary showing advanced, declined, and unchanged stocks.

Table of NYSE Odd-Lot Trading showing various stock transactions.

Table of SAP 100 Index Options showing various option contracts.

Dow Jones Averages

Table of Dow Jones Averages including Industrial, Chemical, and Finance indices.

Table of Standard & Poor's Indexes including Industrial, Chemical, and Finance indices.

Table of NYSE Indexes including Composite, Industrial, and Finance indices.

Table of NASDAQ Indexes including Composite, Industrial, and Finance indices.

Table of AMEX Stock Index including Composite, Industrial, and Finance indices.

Table of Dow Jones Bond Averages including Corporate, Municipal, and Treasury bonds.

Table of Market Sales including NYSE, AMEX, and NASDAQ trading volumes.

Table of NYSE Odd-Lot Trading showing various stock transactions.

Table of SAP 100 Index Options showing various option contracts.

EUROPEAN FUTURES

Table of European Futures including Food, Metals, and Stock Indexes.

Table of Stock Indexes including NYSE, AMEX, and NASDAQ.

Table of Dividends including various companies and their dividend payments.

Table of Commodities including various raw materials and their prices.

Table of Financial futures including various interest rate and currency contracts.

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U.S. FUTURES

Table of U.S. Futures including Grains, Metals, and Livestock.

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Shell Oil Says 3d Quarter Net Soared

HOUSTON (UPI) — Shell Oil Co. cited reduced expenses, said Friday its third-quarter earnings leaped to \$187 million from \$18 million a year earlier, even though revenue slipped to \$5.37 billion from \$5.67 billion.

Shell does not report earnings per share, because it is a wholly owned subsidiary of Royal Dutch/Shell Group. Shell said third-quarter earnings benefited from lower costs and improved margins on oil and chemical products.

WASHINGTON (AP) — The personal income of Americans in September rose a modest 0.2 percent, building on a strong increase to August, the government said Friday.

The back-to-back increases, which brought personal income to a seasonally adjusted annual rate of \$5.44 trillion, was likely to be taken as a good sign by analysts for retailers' all-important holiday shopping season.

Consumer spending had been fitful early this year but it now has increased for six consecutive months, rising 0.3 percent in September to a seasonally adjusted annual rate of \$4.43 trillion after an identical gain in August.

CHICAGO (Reuters) — United Airlines' pilots said they filed suit to halt the carrier's marketing agreements with Lufthansa AG and others because they violate the pilots' contract.

United and Lufthansa filed for U.S. Transportation Department approval of the marketing alliance this week. The agreement is aimed at making it easier for passengers to transfer between countries and carriers through code-sharing.

Aetna's quarterly earnings rose to \$196.5 million, or \$1.76 per share — above the \$1.12-a-share consensus estimate of analysts surveyed by First Call Corp. In the year-to-year comparison, Aetna's operating earnings were \$47.8 million, or 43 cents a share.

Aetna's property-casualty insurance segment posted operating earnings of \$95 million for the third quarter, reversing the year-ago quarter's loss of \$45 million.

Mattel Expects '93 Earnings at \$1.70 NEW YORK (Bloomberg) — Mattel Inc., the giant toy company, will earn at least \$1.70 a share in 1993, said John Amerman, chairman and chief executive.

Sales of Barbie, Mattel's biggest selling toy, will top \$1 billion, compared with \$965 million in 1992, Mr. Amerman said at the Gerard Klauer Mattison toy conference in New York.

Mr. Amerman added that Mattel's proposed merger with Fisher-Price Inc. was given the go-ahead from the Securities and Exchange Commission.

Motorola Inc.'s board of directors said it had "no reason" to look outside the company to fill any of the senior positions open after its chairman and chief executive officer left the company.

Bank of Boston Corp. said it had formed 25 new executive panels and created a new office of the chairman in a management realignment that has resulted in the departure of three high-ranking executives.

QVC Network Inc. will take its bid to acquire Paramount Communications Inc. to the courtroom on Nov. 16.

U.S. STOCK MARKETS

Table of U.S. Stock Markets including NYSE, AMEX, and NASDAQ.

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WORLD STOCK MARKETS

Table of World Stock Markets including Amsterdam, Brussels, Frankfurt, and London.

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Table of World Stock Markets including Amsterdam, Brussels, Frankfurt, and London.

COMMODITY INDEXES

Table of Commodity Indexes including various raw materials and their prices.

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NYSE

Friday's Closing Tables include the nationwide prices up to the closing on Wall Street and to not reflect late trades elsewhere. Via The Associated Press

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, 52 Week High, Low, Last, Change, % Chg. Includes various stock listings.

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INTERNATIONAL FUNDS

Oct. 29, 1993

Questions supplied by funds listed. Not asset value quotations are supplied by the Funds listed with the exception of some quotes based on later prices. The merged symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (bi) - bi-monthly; (M) - monthly; (F) - fortnightly (every two weeks); (S) - semi-regular; (M) - monthly.

Main table of International Funds with columns: Fund Name, Div, Yld, PE, 52 Week High, Low, Last, Change, % Chg. Includes sections for EUROPEAN FUNDS, ASIAN FUNDS, and OTHER FUNDS.

Singapore Bidders for

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CD Pirates Make China a Home Port as Sales Soar

By Kevin Murphy
International Herald Tribune
HONG KONG—A recent and massive outpouring in China's capacity to produce music compact discs is a further burden for an emotional recording industry battling piracy in Asia and threats to profit margins at home.

China, a reluctant importer increasingly riled about "spiritual pollution" from foreign cultural influences, is poised to see a substantial bootleg exporter, mining from the record industry's great potential market to one of its largest.

"It's a problem of staggering proportions that has emerged in a very short time," said Jay Berman, president of the Recording Industry Association of America. "First we have to stop the piracy, then worry about market access."

The International Federation of the Phonographic Industry, which recently held its annual meeting here, estimates that the Chinese market for illegally recorded music at about \$380 million in 1992, about \$70 million more than estimates of its legitimate market.

International unauthorized sound recording sales hit \$2.1 billion in 1992, and will increase next year, owing partially to China's increased output in the industry's fastest growing sector, according to the federation.

An upsurge in high-tech CD manufacturing plants from three in 1992 to 26 now has industry executives worried China will swamp other markets with unauthorized recordings.

"Hong Kong CD sales fell by 22 percent in the first months of 1993," said Lisa Gordon, a federation spokesman. "We're sure it is because of illegal CDs coming from China. If Hong Kong plays its traditional gateway role, we will see legitimate markets built slowly elsewhere greatly undermined."

Industry executives believe a decade of skirmishing with Asia's music pirates, often helped by the sympathetic U.S. Trade

Department, has forced large-scale but illicit operators to flee to havens in China.

The recent threat of harsh U.S. trade sanctions against Taiwan has prompted a migration of illegal CD factories to China's Guangdong Province and beyond. The federation estimates China's demand for CDs at 2 million annually while its capacity has reached 100 million.

"We know who they are, but we've found it's being done with the cooperation of the Chinese governments," said Mr. Berman, a member of a federation delegation meeting senior Beijing officials on Sunday and Monday.

The international group hopes officials can improve an agreement struck with the Guangdong government last month that will see a special enforcement agency empowered to protect intellectual property rights, including sound recording copyrights.

A lack of progress on the issue could become one of several trade issues hampering

China's application to join GATT and an improvement in China-U.S. relations.

The deputy U.S. trade representative, Charlene Barshefsky, said recently in Beijing that China had made a "very positive change" in its intellectual property rights legislation, but enforcement "is essentially absent."

Ms. Barshefsky also said the United States had a number of concerns about market access, another sore point for Western music executives who say an unwritten annual quota of about 120 new titles for all of China exists.

Beijing's recent moves to limit sales of personal communications equipment and ban satellite receiving dishes capturing television broadcasts from abroad signal that China hopes to close its doors to the global village, including music.

"The truth is there is very little access to this market," said Mr. Berman. "Most of the new titles are from Hong Kong and

Taiwanese artists. Western performers don't get much of a chance."

While CD penetration of Western music markets is still growing, profitability may be under some pressure, providing greater incentive to develop Asian markets, where far fewer CDs per person are now bought.

Regulatory groups in Britain and the United States are examining the pricing structure of a business whose impressive profit margins have boosted the record industry since consumers accepted the new technology.

"It's by no means over in the West," said Mark Finney, an analyst with Natwest Securities Ltd. in London. "But there is an awful long way to go in Asia. Given its increasing personal incomes, it's certainly one of the markets the industry is counting on for growth."

Consumers in Taiwan and Hong Kong bought on average 2.1 new albums apiece in 1992, compared with 2.6 in Britain and 3.2 in the United States. In China, the figure was about 0.10.

any moves towards free ownership of the mammoth state-run corporations which still dominate China's economy, he said. He last visited China in September 1988.

Mr. Friedman's measured views contrasted sharply with those given a few weeks ago by a Wall Street analyst, Barton Biggs, whose "maximum bullish" rating of China unleashed a tidal wave of U.S. funds into the Hong Kong stock market.

Mr. Friedman said he found the power of Chinese bureaucrats as strong as ever.

He also faulted China for routinely using the "blunt instrument" of austerity programs to ease demand for credit and cool down recurring economic overheating.

He suggested as an alternative a strong central bank that would be responsible for the money supply, leaving commercial banks to set interest rates freely.

Investor's Asia

Exchange	Index	Friday Close	Prev. Close	% Change
Hong Kong	Hong Seng	9,326.10	9,010.30	+3.54
Singapore	Strait Times	2,103.93	2,101.73	+0.10
Sydney	All Ordinaries	2,112.20	2,076.30	+1.73
Tokyo	Nikkei 225	19,703.00	19,479.40	+1.15
Kuala Lumpur	Composite	971.99	946.72	+2.67
Bangkok	SET	1,290.91	1,239.18	+4.15
Seoul	Composite Stock	742.72	742.83	-0.01
Taipei	Weighted Price	4,086.17	4,065.67	+0.50
Manila	Composite	2,372.84	2,326.60	+1.99
Jakarta	Stock Index	466.15	465.11	+0.22
New Zealand	NZSE-40	2,169.77	2,131.18	+1.84
Bombay	National Index	1,282.90	1,286.40	-1.09

Sources: Reuters, AFP
International Herald Tribune

Singapore Issue: Domestic Affair?

Bidders for Telecom Shares Include Few Foreigners

By Michael Richardson
International Herald Tribune
SINGAPORE—Heavy trading is expected Monday when shares of newly listed Singapore Telecommunications Ltd. begin trading, after strong bidding from Singaporean investors in a competitive tender offer.

In anticipation of large volume, the Stock Exchange of Singapore will lengthen its normal trading day of six and one-half hours to 12 hours, from 8 A.M. to 6 P.M., starting Monday, for as long as necessary.

But most of the interest in the shares has come from local investors, many of whom have been allocated shares by the government at a substantial discount.

Analysts said the response from foreign fund managers had been only lukewarm, with many failing to bid because they felt the shares were overpriced.

Investors, analysts said Friday, had effectively valued the company, which has a near-monopoly on telecommunication services in Singapore, at nearly \$5 billion Singapore dollars (\$3.7 billion).

The lowest successful bid for stock that was offered in a competitive tender to local and foreign individuals and institutions was 3.60 dollars a share.

That puts Singapore Telecom in roughly the same league as British Telecom, which is capitalized at about \$40 billion, and makes it bigger than most of the individual Bell companies that provide telecommunications services in the United States, said Haddon Zia, assistant director of Jardine Fleming Asian Research Ltd. in Hong Kong.

"Yet those companies have a much higher profit level, bigger networks and a lot more global reach than Singapore Telecom," Mr. Zia said.

At 3.60 dollars a share, Singapore Telecom is priced at nearly 49 times the net earnings of 7.4 Singapore cents a share forecast by the company for the year ending in March 1994.

"The perception of foreigners is that this is an expensive stock," said Donald Skinner, head of research at Credit Lyonnais Securities (Singapore) Pte.

"Singapore Telecom is a monopoly work-

ing in an attractive regulatory environment and will show solid growth," he said. But if you're an international fund manager, he said, "you've got more attractive options" in telecommunications stocks as well as other market sectors elsewhere in the world.

Brokers said trading Monday was likely to start above 3.60 dollars.

They said this would provide a strong incentive for the nearly 1.5 million Singaporean buyers who have received stock parcels from the government at preferential prices of between 1.90 dollars and 2.00 dollars a share to seek a quick profit.

Many are first-time investors who had been persuaded to take part by the recent rise

'The perception of foreigners is that this is an expensive stock.'

Donald Skinner, head of research at Credit Lyonnais Securities (Singapore)

of the Singapore stock market to record levels and by a government program to promote share ownership by Singaporeans.

Mah Bow Tan, Singapore's communications minister, said Friday that the lowest successful tender price of 3.60 dollars a share was "higher than we originally estimated."

As a result, he said, he was sure that some Singaporeans would want to sell their stock to "take their staggering profit" despite government efforts to encourage long-term investment.

However, he cautioned that if as many as 10 percent of holders tried to sell Monday, it could make it difficult for the stock exchange to cope with the volume. The exchange hopes that the longer trading hours will take care of any such problem.

Announcing results of the tender portion of the issue Friday, Temasek Holdings Pte., the government company that holds the ma-

majority of the 15.25 billion Singapore Telecom shares, said that the offer, known as Group C shares, was more than five times oversubscribed. Most of the successful bids were for between 3.60 dollars and 4.00 dollars a share.

To accommodate demand, a decision had been made to increase the number of Group C shares to just over 650 million from 550 million when the offer was first announced.

Lim Seng Guan, chairman of the Central Provident Fund Board, said 27 percent of the successful bids had been made through international marketing agencies commissioned to promote the issue to foreign buyers.

Other foreign buying may have been done through Singapore banks. Officials said figures on foreign and local buying in the competitive tender would be made available later.

Temasek Holdings also said that to satisfy demand from eligible Singaporean members of the Central Provident Fund, the number of Group A shares would be increased to 837 million shares from 350 million when the public offering was announced.

The fund is a compulsory national savings and pension program. It has 1.75 million members.

Group A shares were sold at a fixed price of 1.90 dollars a share for a maximum of 600 shares a person. They were issued with a promise that 10 bonus shares would be issued for every 100 still held after the first, second, fourth and sixth years as an inducement to hold the stock for the long term.

Singapore citizens were also entitled to buy 200 million Group B shares at a fixed price of 2.00 dollars a share.

Brokers said they expected many investors holding Group B shares to seek a quick profit by selling Monday.

"But they said large numbers of Group A and Group C holders would start selling only if the price rose to between 4.00 dollars and 4.50 dollars a share.

Mr. Zia said the issue had been driven by excess liquidity in Singapore. As a result, "the shares could go well into overvalued territory and remain there for an extended period of time," he said.

Friedman Says Beijing Still Controls Economy

Agence France-Press
HONG KONG—Milton Friedman, fresh from a trip through China, said Friday he saw few signs that the Communist regime is easing its firm grip on the economy, despite its claims of embracing bold reforms.

Referring to the face of recent up-bid analyses of China's economy, the 1976 Nobel economics laureate said real change could only come about if the regime gets out of the marketplace altogether.

"They have the words, but do they know the tune? It's not clear they do," Mr. Friedman told reporters after a weeklong trip that took him to Beijing, Shanghai and Sichuan Province.

"The answer to the question of how to go about getting a free-market system is very straightforward—you get the government out of the way and privatize, privatize, privatize."

Yet it remains "very hard to see" any moves towards free ownership of the mammoth state-run corporations which still dominate China's economy, he said. He last visited China in September 1988.

Mr. Friedman's measured views contrasted sharply with those given a few weeks ago by a Wall Street analyst, Barton Biggs, whose "maximum bullish" rating of China unleashed a tidal wave of U.S. funds into the Hong Kong stock market.

Mr. Friedman said he found the power of Chinese bureaucrats as strong as ever.

He also faulted China for routinely using the "blunt instrument" of austerity programs to ease demand for credit and cool down recurring economic overheating.

He suggested as an alternative a strong central bank that would be responsible for the money supply, leaving commercial banks to set interest rates freely.

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Herald Tribune

Very briefly:

- Hong Kong stocks spurted to an all-time high Friday on renewed buying from American and Japanese institutions and local investors. The Blue Chip Hang Seng Index gained 318.82 points, or 3.54 percent to close the week at 9,329.09, or 71.6 percent above its level at the start of 1993.
- Malaysia, saying its economic performance this year had exceeded expectations, cut taxes and boosted development spending in a 1994 budget that raises government spending 6.8 percent. Kuala Lumpur stocks surged 2.6 percent to another record close.
- Xinhuu, the Chinese government news agency, set up a subsidiary in Hong Kong, Fortune China Development Ltd., to offer investment advice, services and information to companies investing in the mainland.
- China is likely to abolish its dual exchange-rate system early next year, according to high-ranking Beijing sources quoted by the Hong Kong Commercial Daily, which is run by China.
- Nikon Corp. announced a pretax loss of 1.6 billion yen for the six months ended Sept. 30. The camera maker had profit of 1 billion yen a year earlier. Mitsubishi Heavy Industries Ltd. said pretax earnings fell 1.7 percent to 61 billion yen.

AFP, AP, Reuters

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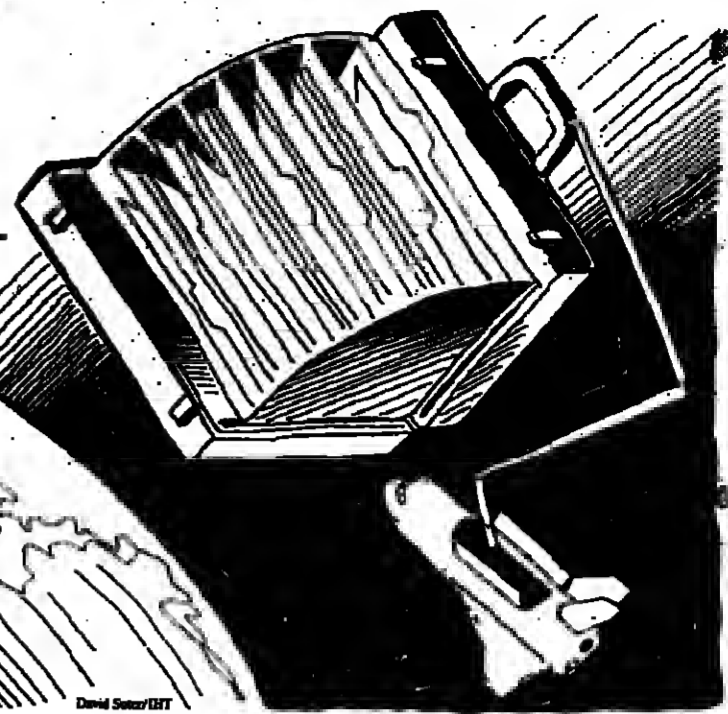
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AMER	250	240	245	1.50	4.8	12	11	10	245	235	11	10
ASIA	100	90	95	0.50	5.3	18	15	14	95	85	15	14
EURO	150	140	145	0.75	5.2	16	14	13	145	135	14	13
AFRICA	50	45	48	0.20	4.2	15	12	11	48	40	12	11
OCEAN	80	75	78	0.30	3.8	14	11	10	78	70	11	10
COMMOD	120	110	115	0.40	3.3	10	8	7	115	105	8	7
INDEX	3000	2800	2900	1.00	3.5	12	10	9	2900	2700	10	9

THE MONEY REPORT



FIRST COLUMN Insurance: A Modest Proposal

THE story is long, and getting longer. The moral, however, is as short as ever: For small investors, compensation, not regulation is the answer.

This week saw speculation that the BCCI affair may run on for another 10 years after a Luxembourg appellate court decided that the liquidators of the defunct bank had no right to sign an agreement with Abu Dhabi. The result is that there is a hope — albeit a "Bleak House," Jarmoyce v. Jarmoyce-style hope — that the aggrieved creditors may see more than the few cents on the dollar that the agreement would have yielded in the short term. So the waiting continues and the attorneys' billable hours accumulate.

The BCCI affair illustrates an important point for the small investor. Namely, that international investing is primarily for the wealthy and the sophisticated. The auditors of BCCI have received a lot of criticism, some of it fair. But even if the auditors were the rocket scientists of the accounting world, the hard question the small investor must ask is: "If they can't spot missing millions, how am I supposed to?"

The answer is that the smaller investor shouldn't be expected to know. The small investor should be protected, fully, up to, say, \$10,000. Beyond that, the critics who argue that financial safety nets are too expensive begin to be believable.

The big, sophisticated players don't need, don't expect and don't want regulation or protection. For that reason the foreign exchanges and the Eurobond markets are paradigmatic expressions of capitalism in action. The only rule is *caveat emptor*.

How could such a net be made? Easy. Go see an insurer. The reputable banks won't have to pay too much for a guarantee of just \$10,000 per depositor. Then it would be up to the world's regulators to make having insurance a kind of trading permit. No insurance, no permission to deal.

And who insures the insurers? That's another question.

M.B.

International Funds: An Expanding Universe

By Conrad de Aenlle

THE use of American marketing techniques is making it cheaper for Europeans to buy offshore funds. The discount brokerage Charles Schwab & Co. has recently extended its program of offering American mutual funds without sales loads or brokerage commissions to include a limited range of offshore funds open to foreign investors.

Fifty-five funds from the Rothschild, Guinness Flight and Wright Investors Service families are included in the new Schwab program, being run from the London office of the company set up in February. At first, most clients are expected to be British, but Schwab hopes to include more Continental Europeans over the next year when it opens offices in Frankfurt and Paris.

Roger Lillie, the Schwab official who opened the London branch, said the brokerage is proceeding slowly, waiting to see what sort of reception the program receives in Europe. Schwab clients own \$5 billion in funds bought during the 14 months the U.S. service has been operating. Its hopes in Europe are more modest: about \$100 million over the next couple of years.

"At the moment, we've only linked up with a very few groups, and then only in a few areas," Mr. Lillie said. For instance, the only Rothschild products offered are its currency funds. These, by the way, carry no sales charge, even when bought through other channels.

Also offered are a dozen country-specific equity index funds in the Wright family, which otherwise have "loads," the charges and fees attached to a fund, of up to 5 percent, and a wide range of Guinness Flight funds investing in stocks, stock sectors, bonds and currency funds. Schwab is receiving about 100 inquiries daily, although not all of those result in accounts being opened or material sent.

"The bulk of the interest has been in Guinness Flight products; we've received a lot of inquiries," Mr. Lillie said. "In the beginning we didn't offer the Guinness Flight managed currency funds, but we got huge demand for them and we were able to add those very quickly."

A.M. Moody, Wright's senior vice president for mutual fund administration, said

International Mutual Funds

- On other pages:
- P. 19 How to select a fund; key criteria and performance tables
 - P. 20 Performance measurement — absolute or relative? Are portfolio fund selectors worth the money?
 - P. 21 Playing by the rules in the money market.

his company had decided to participate with its country funds because "they fit very nicely into what Charles Schwab was trying to do, and we're glad to have the extra distributors. It gives us more assets, better performance of the funds and more income." Although it's still too early to tell how much business Schwab will bring in, Mr. Moody said, "we expect to see a substantial contribution."

In addition to winning new clients, fund providers benefit from a reduction in administrative hassle. "We will have one account in Charles Schwab's name and they will do all the servicing of the account," Mr. Moody explained. As in the American version of the program, Schwab will handle those chores for a small percentage of the assets held. In the United States, this is as little as 0.25 percent each year. In Europe, Schwab representatives say, they will receive between 0.25 and 0.6 percent.

Participants see the arrangement as a win-win situation: The fund providers draw more money into their funds through the new distribution channel at minimal cost. Schwab makes money from the funds for servicing the accounts and, it's assumed, from other services the brokerage provides for customers who otherwise would not have walked through the door, and the clients get their fund shares cheaper.

Trevor Ash, managing director of Rothschild Asset Management, sees the Schwab effort as part of a trend in Britain toward giving the shareholder a better deal.

"Front-end loads are coming under pressure from investors," he said. "That move is going to continue, that direction will be

followed; we've removed loads on some of our funds. What Schwab is trying to do fits in with our thoughts on the future."

Intermediaries and some rival fund companies think Schwab hasn't grasped a few realities about investing in Britain: they doubt the service will succeed there.

"We think they've misread the U.K. market; that will work fine in the U.S., but we don't think that's an appropriate way to market products in the U.K.," said Judy Delafosse, speaking for Fidelity Investments, which is the world's largest provider of investment funds and has a large British operation. "The U.K. investor is a different type of investor, less financially aware than his American counterparts; he depends heavily on advice."

"We don't think it will take off, and we don't think large investment houses will join in. If we seriously thought it was a good idea and would work in the U.K. market, we would have done it already."

She pointed out that only 7 percent of fund sales are done through direct marketing by fund providers.

Joanne Hindle, chief executive officer of IFA Promotion, a group representing 4,000 British independent financial advisers, thinks along the same lines. "I think they will take a slice of the market, but I wouldn't predict it would be a very large slice," she commented. "The British just aren't used to dealing that way; it's not just selling something, it's changing the underlying culture."

She wishes Schwab well, all the same. If investors "know precisely what they're doing, we can quite understand what benefit they get from this execution-only service. The problem is by and large they don't understand what they're doing and they need help and advice."

"That may be true, but the help and advice investors get sometimes is no help at all and may do more harm than good. While the work done by independent financial advisers generally receives high marks in the financial service industry, they are not the only ones peddling investments. Others are tied to a

particular company, often an insurance group, and offer products only in that provider's line, even if the investor could do better elsewhere.

Mr. Moody thinks fund buyers are starting to catch on and are more willing to do their homework and shop around.

"Investors are getting more sophisticated," he said. "Clients used to just go by name, now they're looking more at performance and cost. As that grows, Schwab will be in a good position to get that business. They place great importance on suitability for the client. People are going to want to go to a place like Charles Schwab where they're not going to get sold something inappropriate."

Howard Flight, managing director of Guinness Flight, thinks that may prove especially true in Continental Europe, where funds tend to be sold by banks that offer only their own line.

"If you go to a Swiss, German or French bank, they won't let you buy anybody else's funds and they make you pay through the nose for their own miserable products," Mr. Flight remarked.

For that reason, he believes, Schwab's deepest impact is likely to be in Continental Europe and its typical fund customer will be the "international, slightly American, high-net-worth individual. That is ultimately likely to be Schwab's natural market, not the British retail market."

Reaching those customers requires overcoming regulatory quirks in various jurisdictions. "At the moment the funds are not available to people who reside in France or Hong Kong," Mr. Lillie said. "We actually got into this crazy situation where our lawyers told us we couldn't invite anybody from French papers to our press conference; it's the craziest thing I've ever heard of."

Mr. Lillie says the brokerage would like to bring new fund families into the program, but slowly.

Mr. Flight said he has long counseled Charles Schwab, the broker's founder, to make a forceful entrance should he try to breach the Atlantic: "I've always said to him he must come and take Europe by storm one of these days. My gut vision is he is one of the few people that might blow apart the banking oligopoly in Europe."

European No-Load Funds

CURRENCY MONEY FUNDS	Global High Income Fund	Dutch Fund Nat Equity Sub-Fund
Guinness Flight International (Currency Specific Denomination)	US Dollar Bond Fund	Hong Kong Nat Equity Sub-Fund
US \$	Yan Bond Fund	Japan Nat Equity Sub-Fund
Sterling	Deutsche mark	Spanish Nat Equity Sub-Fund
Yen	Swiss Franc	UK Nat Equity Sub-Fund
Yen	Mexical Currency (US\$)	Austrian Nat Equity Sub-Fund
CONVERTIBLE FUND	Guinness Flight Global Strategy (US \$ Denominated)	French Nat Equity Sub-Fund
Guinness Flight Global Strategy (US \$ Denominated)	Global Convertible Fund	German Nat Equity Sub-Fund
Managed Currency	EDMITY FUNDS	Japan Nat Equity Sub-Fund
Rothschild Asset Management	Guinness Flight International (US \$ Denominated)	US Nat Equity Sub-Fund
Old Court International Passive (Currency Specific Denomination)	Global Convertible Fund	Guinness Flight Global Strategy (US \$ Denominated)
US Dollar	International Equity Fund	American Smaller Companies Fund
Yen	Guinness Flight Global Strategy (US \$ Denominated)	ASEAN Fund
Sterling	Global Equity Fund	Hong Kong Fund
Yen	American Blue Chip Fund	Japan Smaller Companies Fund
Deutsche mark	Japan Fund	Japan and Pacific Fund
BOND FUNDS	European Fund	Global Energy Fund
Guinness Flight International (US \$ Denominated)	Equityfund; Wright National (Currency Specific Denomination)	Global Gold Fund
Global Bond Fund	Australian Nat Equity Sub-Fund	Global Leisure Fund

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1987 \$31,311
1986 \$23,793
1985 \$18,632
1984 \$13,539
1983 \$13,124
1982 \$12,403
1981 \$11,667

1980 US\$10,000

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* Source: Manager's published prices for the International Accumulation Managed Currency Fund. Gross income reinvested, offer to 30 days from 28.5.80, using best calculated price for each year. 1993 calculation as at 8.10.93. Five year performance 7,180.4% (19.83). Past performance is not necessarily a guide to the future. The value of this investment and the income arising from it may fall as well as rise and is not guaranteed. This advertisement has been issued with the approval of Guinness Flight Global Asset Management Limited, a member of Guinness and Leisure and Investment Services. Guinness Flight International Accumulation Managed Currency Fund and Guinness Flight Global Strategy Fund Limited — both Guinness & Co. Authorised Collective Investment Schemes and UK Overseas Collective Investment Schemes under Section 17 of the UK Financial Services Act 1986. 1 Top performing fund in Guinness Flight Managed Currency Fund Sector 2 years to 1.10.93. Minimum investment: Sterling £5,000, US \$10,000.

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THE MONEY REPORT



David Sauer/ITB

With 22,000 Funds, Finding One for You

By Philip Crawford

WITH more than 22,000 funds now available on the international marketplace, picking one to invest in is becoming an increasingly daunting endeavor, even to the somewhat experienced investor. Just getting started involves running a gauntlet of decisions.

How much money to put in? How much risk to court? A short- or long-term play? A "name" fund company or a newer, unknown one? Is there a particularly attractive geographical area or industrial sector to invest in? Where can good, independent advice on fund managers and their track records be found? The list seems endless.

Some experts say that there's one decision that must be made before all others: Whether to seek advice from a professional financial adviser or to try to pick a fund on one's own, using the financial press and the wide array of newsletters that offer investment advice.

"It's kind of like deciding whether to do your own tax return or your own auto repairs," said Betty Hart, a spokesman for the Investment Company Institute, the trade association for the U.S. mutual fund industry. "But if you're even considering undertaking it yourself, you need three things: Time, a certain degree of knowledge, and a

real interest in researching things yourself. If you lack any one of those qualities, you should go to an adviser."

One place to start for those who choose to do their own research are the fund performance tables published in the financial press, provided by fund tracking organizations such as Microcap, Morningstar, and Lipper Analytical. Such tables can at least give the self-researching investor an idea of which funds have performed well over short- and long-term periods, and what their rates of return have been.

The problem with using only performance tables, of course, is that past returns are not necessarily an indicator of future ones. A fund that catches one's eye because it has returned 40 percent over the past six months might be at the end of an upward climb and headed south. The huge growth of many emerging markets funds over the past year, for example, has set industry analysts astir, trying to gauge how much growth can be left.

"Beginning investors often get attracted by a specific result," said Peter Jeffreys, managing director of Fund Research Ltd., a London firm that provides detailed fund analyses to brokerage houses, financial advisory firms, and institutional investors. "They see that

Hong Kong is up 20 percent in a month, and they say, 'Hey, I'd like some of that.' But such an approach is dangerous because the greatest wave of optimism often marks the top of the market. We know now that the best time to have bought Hong Kong was the day after Tiananmen Square, but no one did it because everyone was afraid to."

Mr. Jeffreys said that even if market conditions favored continued high returns from a fund that had already enjoyed a good run, investors interested in the fund should check with the sponsor to see if the same manager who achieved those returns is still on the job. He noted that his own firm's research focuses more on fund manager profiles than on portfolio analysis, since portfolio holdings are always in flux. Mr. Jeffreys added that many internationally available investment newsletters are of high quality and can be of great help to the do-it-yourself fund chooser.

Investors currently have hundreds of publications to pick from that analyze funds. Some are published by the fund-tracker themselves, such as Microcap's monthly Emerging Markets Monitor, and the bi-weekly Morningstar Mutual Funds newsletter. The advantage of such publications over the promotional material put out by banks and fund companies is their independence: They're not trying to sell funds, only research.

There's even a publication to help investors choose which newsletters to subscribe to: The Hulbert Financial Digest, based in Alexandria, Virginia. The digest evaluates the advice of 145 investment publications.

"Basically, we show you what you would have made if you had invested according to the advice of each newsletter," said Donna Westemeyer, a spokesman. "It's easiest to do with the newsletters which have model portfolios, but for those who don't, we can construct one based on their opinions."

The do-it-yourself fund investor should also closely examine the charges and fees attached to a fund, known in the industry as "loads," as they can vary widely even in funds that have identical investment objectives. Explanations of load structures are typically found on a fund's formal prospectus sheet. And obviously, say experts, tabs should be kept on the overall global economic outlook and interest rate picture, as the relative attractiveness of equity funds, bond funds and money market funds ebbs and flows along with those forces.

Investors who lack either the time or inclination to do their own fund research will find an entire industry of advisors wanting to sell them professional advice. Often, say industry analysts, beginning investors will simply ask a friend for the name of a reputable fund company or bank that sells its own funds, and then proceed to give the

institution a ring. This approach, say many experts, is exactly the wrong thing to do. Why? Because such institutions are not exactly the most objective analysts, being naturally interested in selling their own products.

In the United Kingdom, a professional investment counselor is designated an "independent financial adviser," or IFA. The qualifications of such counselors, of which there are about 40,000 in Britain, are overseen by the British Securities and Investments Board.

"Such advisers can often give excellent counsel on how to choose the right fund for you," said Mr. Jeffreys of Fund Research Ltd. "In the United States, professional investment counselors go by such designations as "chartered financial consultant," or ChFC, and "chartered financial planner."

Such advisers are regulated on the state and on the federal level.

"The first thing I ask clients in helping them choose a fund is how much risk they can tolerate, because some cannot tolerate any," said Alice Lawrence, a Massachusetts-based chartered consultant. "Then we talk about long-term versus short-term. Then I might bring up the names of some funds I'm familiar with which have good track records over long periods of time. Past success doesn't guarantee future success, of course, but its one of the few objective measures which anyone choosing a fund has to go by."

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Fund	Assets (\$ mil)	Performance	Volatility
Mercury Gold & Silver	285.05	285.05	11,202
JF Malaysia	285.05	285.05	7,138
Clio-Cel Money Trust Sng Water	281.70	281.70	11,259
Gem Singapore & Malaysia	246.89	246.89	5,485
Singapore Securities	246.77	246.77	14,249
Leighton Strategic	246.77	246.77	---
JF Eastern Europe	238.59	238.59	5,544
Credit Lyonnais Singapore Cr	225.02	225.02	0.0
Investor Asia	223.96	223.96	13,486
JF Far Eastern	223.96	223.96	---
Barclays ASB Malaysia	223.87	223.87	5,595
JF ASEAN	218.71	218.71	---
Thomson New Tech Singapore	218.08	218.08	5,928
TSB DM Pstt Australia	218.08	218.08	0.0
Mercury Str Singapore & Malay	214.18	214.18	---
JF India Pacific	213.91	213.91	---
Fidelity Pds Malaysia	213.91	213.91	---
Thomson New Tech Malaysia	213.91	213.91	---

Over three years to Oct. 16, 1993

Fund	Assets (\$ mil)	Performance	Volatility
TSB Pstt American	425.27	425.27	8,823
Quantum	425.27	425.27	7,300
Fidelity Select Home Plc	392.20	392.20	6,076
Thomson Hong Kong Galaxy	382.78	382.78	8,028
Fidelity Eds Hong Kong & China	382.78	382.78	11.0
JF Far Eastern	382.78	382.78	13,486
Gartmore Hong Kong	382.78	382.78	7,517
Colonial Securities Hong Kong	366.98	366.98	8,004
Schwabers Asia Hong Kong	366.98	366.98	4,595
Barclays Asia Pacific	366.98	366.98	8,064
Barclays Asia Pacific	366.98	366.98	---
JF ASEAN	366.98	366.98	0.0
JF Far Eastern	366.98	366.98	8,276
Fidelity Select Pstt Europe	366.98	366.98	5,291
Fidelity Select Div Growth	366.98	366.98	4,595
Prof Capital Hong Kong	366.98	366.98	7,286
CSA Capital Development	366.98	366.98	---
Thomson Opportunity (E)	366.98	366.98	---
Fidelity Select Pstt Eur	366.98	366.98	---

Over five years to Oct. 16, 1993

Fund	Assets (\$ mil)	Performance	Volatility
Quantum	744.90	744.90	7,500
GNI Spread	695.95	695.95	7,551
Clio-Cel Hong Kong Galaxy	695.95	695.95	11,259
Gem Singapore & Malaysia	597.50	597.50	5,485
Gartmore Hong Kong	597.50	597.50	7,175
Credit Lyonnais Singapore Cr	597.50	597.50	5,544
Indonesia Hong Kong	597.50	597.50	5,054
Schwabers Asia Hong Kong	597.50	597.50	5,385
Baring Int Malaysia Sng	425.12	425.12	5,120
Colonial Securities Hong Kong	425.12	425.12	6,004
Thomson Hong Kong Galaxy	425.12	425.12	8,073
Barclays Asia Pacific	425.12	425.12	4,595
Barclays Asia Pacific	425.12	425.12	4,523
Morgan Grenfell Asia Pacific	425.12	425.12	15,485
Baring Int Malaysia Sng	425.12	425.12	5,729
Asia Int Asia Pacific	425.12	425.12	---
JF ASEAN	425.12	425.12	---
JF Far Eastern	425.12	425.12	---

Over ten years to Oct. 13, 1993

Fund	Assets (\$ mil)	Performance	Volatility
Baring Int Hong Kong	671.94	671.94	5,728
Schwabers Asia Hong Kong	671.94	671.94	5,885
Schwabers Asia	425.10	425.10	4,223
Old Coast Hong Kong	425.10	425.10	5,282
Gartmore Hong Kong	425.10	425.10	7,157
Fininvest Hong Kong Ltd	425.10	425.10	8,225
JF Pacific	425.10	425.10	7,088
Wardley Int Asian Equity	425.10	425.10	0.0
JF Pacific Income	425.10	425.10	4,556
JF Philippines	425.10	425.10	5,806
JF Hong Kong	425.10	425.10	6,029
NSP UK Int Equity	425.10	425.10	4,522
Baring Int Asia Pacific	425.10	425.10	3,407
JF Eastern	425.10	425.10	---
S&P South East Asia Growth	425.10	425.10	6,580
Colonial Special Singapore	425.10	425.10	---
MSG Global & Gen	425.10	425.10	---
Investco Hong Kong & China	425.10	425.10	---

Source: Microcap

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For Nontraditional Funds, Movement Means Money

By Rupert Bruce

MENTION the words "hedge fund" and most people call to mind George Soros, the Hungarian-born architect of the Quantum Fund, and a few other well-known names. But they are just the tip of the iceberg. A small sector of the investment management industry — loosely termed "nontraditional asset management" — is growing at a phenomenal rate. And it is being driven chiefly by demand from wealthy individuals.

What binds together the two types of nontraditional asset management — futures and hedge funds — is the fact that they do not rely on any market moving forward or upwards to make money. As long as there is movement they can make money. As such, they are said to produce absolute performance rather than performance relative to a stock, bond or commodity market index.

This may also be part of the secret of their recent success. David Ginsberg, the London-based head of the multimanager program at Global Asset Management, known as GAM, attributes the growing demand partly to low fixed interest returns. But he also believes that "in a small way there is a realization that absolute rather than relative rates of return are realizable and make sense" in the minds of institutional investors which, if it continues, could lead to a huge increase in the size of the sector.

Alan Brody, a senior vice president of Lehman Brothers with responsibility for managed products in Europe and Asia, said the increased demand was largely due to an atmosphere of less confidence in equity and fixed income markets in the next five years. He added that Lehman was seeing buoyant demand for its nontraditional and innovative funds, like the Global Advisors Portfolio, from Europe, Southeast Asia, North America and Latin America.

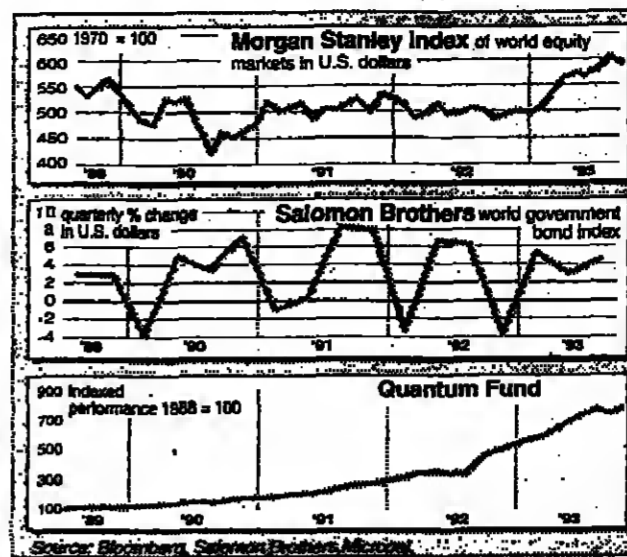
But amid this hetero-skeletal growth, the definitions of what is a hedge fund, what is a futures fund and so on are getting clouded. "The boundaries are blurred and there are areas of overlap," Mr. Ginsberg said.

Broadly speaking, though, hedge funds were originally described as funds that use derivatives as short positions in stocks to hedge their risk. Today, however, they may use loans to enhance their performance — be it positive or negative.

Derivatives are contracts for the right to buy, sell or require future delivery of a commodity or financial instrument, while short sales or positions are the sale of borrowed stock in hopes of repurchasing it later at a lower price.

Futures funds are not quite what they sound either. They may use futures, other derivative instruments, cash instruments, or forward positions.

In addition, the risk profiles of these funds vary enormously. While one hedge fund might air for returns of up to 80 percent in a year, with correspondingly high



risk, another might shoot for returns of 15 percent a year, with correspondingly low volatility.

IFM, a London-based fund manager, aims for a 20 to 25 percent return with an extremely low level of risk in its Iliad Fund.

Mr. Soros's Quantum Fund, by contrast, notched up a return of more than 70 percent during the year ended Oct. 1, and had a volatility during the past three years that was greater than that of most Far Eastern country funds, according to the fund monitoring firm Micropal.

Nicholas Rallis, a director of IFM, says that his company seeks high returns in tandem with low risk by either searching for anomalies in the financial markets, or by using a series of uncorrelated speculative strategies that tend to reduce each other's risk. Those that look for higher returns may take fewer but bigger bets.

Investors looking for nontraditional funds should have no trouble finding managers eager to take on their business — although in some instances the minimum investment is as high as \$2 million. Most of the established managers closed their funds long ago, and are refusing to take on any new money. But there is a host of new young managers eager to join the party.

With typical fees set at 1 percent of funds under management, plus 20 percent of returns, a successful manager can become very rich, very quickly. A fund manager who attracted \$500 million in his first year, closed his fund and then notched up a 20 percent return in

It's No-Risk, Well, Sort Of

THE arcane and complex world of specialist risk fund management is a little larger this week, with the launch of a new guaranteed fund from the international fund arm of E.D.&F. Man. The firm has a well-known range of products, called the Mint series, and Mint Guaranteed Global Financial 2003 is the latest addition.

The new fund is slightly unusual in that it will invest exclusively in financial instruments, concentrating on stock indexes, interbank currency and interest rate contracts. Most of the other funds in the series also use contracts based on commodities.

The objective of the fund is to achieve substantial capital appreciation before 2003, when investors are guaranteed the return of their original investment. The risk — without which there can be no profit, whatever the arbitrage geniuses in that side of the speculative investment side of the fund falls. In which case, investors will have lost the use of their money for a decade and will be the victims of inflation during that period. The possible gains are substantial, providing the managers find the right investment mix.

The fund has a maximum capitalization of \$20 million, with a minimum investment of \$30,000. The return of capital, for investment units held to maturity in 2003, is guaranteed by Barclays Bank.

For more information, contact your local E.D.&F. Man office, or a broker specializing in this area. In Europe, London-based broker Roston Parry (tel: 44 71 490 8062) is marketing the funds.

'Portfolio Services': Just Another Layer of Management?

By Digby Lerner

WHO needs it? That is the question investors should be asking the growing number of brokers and investment managers now marketing "portfolio services" for fund investment. Investors are asked to pick a particular strategy, usually related to the amount of risk that they are prepared to take, and a supposedly appropriate portfolio of funds is then bought.

The increasing popularity of these services has caused a heated debate about how useful they are. On one side are the managers themselves who claim that an actively managed portfolio is the most effective way of investing in managed funds. On the other side are those who claim managed funds already supply the necessary management skills and that portfolio services are simply another way of charging investors more.

Both arguments have some merit. Portfolio managers point to the problems of choice caused by the huge number of managed funds on the market. In particular the many specialized funds available can make choosing one almost as tricky as picking individual stocks.

Judy Delaforce, product development manager with Fidelity Investments in London outlines the

problem. "Anyone investing in a Southeast Asian fund during the last two years may have enjoyed tremendous returns but they would also have been exposed to a high degree of risk. A well-managed portfolio would help spread the risk."

She adds that a good portfolio manager should be able to judge when to move in or out of particular funds — something most private investors rarely have the time or expertise to do.

The critics accuse portfolio managers of "churning" — industry slang for buying and selling funds unnecessarily in order to generate commission income. While this may be true of some managers, most maintain that investors would quickly spot changes made for anything but the pursuit of investment motives.

Portfolio services divide broadly into two types depending on whether they are offered by private client stockbrokers or fund managers. Those sold by fund managers tend to group investors into portfolio models rather than create individual plans. The manager offers a range of portfolio types and the investor chooses the one most closely matching his needs.

Nicholas Hollings, who advises clients investing in James Capel's Jersey-based funds, says investors fall mainly into only a few narrowly defined bands.

"Although some people say they want a more personalized service than the one we offer," he said, "there aren't really that many objectives in the equity market."

By using portfolio models managers say they can keep costs low. The annual charges on portfolios offered by fund managers range from about 0.5 percent to 1.5 percent. Added to this are the charges levied on the underlying managed funds.

This economy of scale also means minimum investment levels are lower than for fully tailored portfolios. While portfolio services from fund managers can start at \$15,000 or less, individually managed portfolios can require invest-

ments upwards of \$100,000 to make the charges cost-effective.

According to Mr. Hollings, people with portfolios offered by big fund managers can also benefit from negotiated discounts on large deals. "Getting out of a fund at the right price is very important and is something that can be negotiated by a manager with stature."

He says the level of discounts can often make up for the management charges on a portfolio.

Managers offering only in-house funds in their portfolios also claim to have a pricing advantage. Brokers or financial advisers would clearly have to pay more than the fund manager to gain access to the same funds.

But although there appear to be advantages in using the services offered by large fund managers, Rachel Mehill of M&G in London believes they encourage investors to place too much faith in a single company.

"At M&G, we do not offer investment advice to clients because we feel clients should spread their investments," she said. "We would prefer people to seek independent advice. We're very supportive of that market."

She added that another disadvantage of being invested in a large portfolio is that investors often

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THE MONEY REPORT

The EC vs. Investors

By Digby Lerner

WHAT does the future hold for money market and currency fund investors? International pressure — notably from Germany — for stricter control, regulation and taxation of such funds has been mounting to recent weeks. Talk had reached the point where some industry commentators were predicting that investors seeking attractive cash funds offering the double benefit of currency hedging and no withholding tax would soon be forced offshore.

But this week it looks as though a (possibly temporary) truce may have been called between the regulatory authorities and the currency fund managers. The president of the European Commission, Jacques Delors, has begun a campaign ahead of Friday's European Community summit meeting in Brussels to reinvigorate progress toward a single European market. Market observers were relieved to find that references are now being made to "investors" and "managers" as opposed to "speculators."

A little over a month ago, Mr. Delors (finituated over the way the exchange-rate mechanism of the European Monetary System had been targeted by what he called "golden boys" determined to make a fast buck out of European currency problems. At the time he was reported to be in favor of applying temporary capital controls to thwart the likes of the well-known currency fund manager George Soros.

Other EC officials moved quickly to distance themselves from the

idea, and Mr. Delors' chief spokesman claimed that the speech these conclusions were drawn from was misinterpreted by journalists.

But in spite of the denials, analysts are becoming nervous. Some believe there is growing sentiment in the Community that capital controls would be a good thing.

Neil Mackinnon, chief economist with Citibank in London, says although such controls are unlikely to happen immediately he is worried by the way discussions about them have re-emerged.

"In the aftermath of the de facto breakup of the ERM," he said, "the possibility of capital controls has certainly moved upwards on the policy agenda far many of the governments and central banks throughout Europe."

If they are implemented, Mr. Mackinnon fears they will cause more problems for private investors than for the supposed speculators they are aimed at.

Worst affected would be those invested in currency funds. "It would have considerable implications for investors in Europe. The obvious worry would be the risk of finding their money is locked in or that they suffer an exchange-rate loss when they move it. Certainly these restrictions are not conducive to an integrated capital market."

"Investors would attempt to withdraw their money and funds going into some countries could dry up."

With the increased number of retail currency funds in recent years more "ordinary" investors than ever are using foreign currency exposure as part of their financial plans. Apart from interna-

l investors who use currency funds as a way of matching their overseas assets and liabilities there are those invested in managed currency funds geared to providing capital growth by switching between currencies.

"The speculators during the ERM crisis," Mr. Mackinnon said, "were only reacting to what was clear to the market anyway. They were mainly fund managers and corporate traders, people who had an interest in preserving their balance sheet and who have to take currency decisions because of the integrated nature of capital markets."

He contends the ERM was damaged solely by the failure of European monetary policy rather than speculation.

But although capital controls are being more widely discussed, many analysts believe they will not be applied as long as the EC's aim of a single financial market is kept alive. So far this is clearly the case.

Paul Turtle, managing director of Tyndall International Bank in the Isle of Man believes that moves to liberalize the European market will make it almost impossible to impose capital constraints. A growing number of his clients are taking advantage of the bank's multicurrency facilities.

"Our clients may be paid in dollars but have a mortgage in France," he said by way of an example. "How could the EC come up with something that allowed the free movement of funds for valid reasons, but prevent speculators?"

If anything, he says, the movement of capital needs to be made even freer than it already is.

Investing to Fund School Fees

Endowment Assurance		Equity Investment Plan		Unit Trust Investment	
Funding from income		Funding from capital plus income		Funding from income	
Fee: currently \$1,200 per year rising 7% annually. Due to be paid in September 2001 for 5 years.		For a 10-year period, this 7% rise will be offset by a 7% rise in the price of the underlying assets.		For a 10-year period, this 7% rise will be offset by a 7% rise in the price of the underlying assets.	
Capital investment	none	Capital investment	\$12,000	Capital investment	\$12,000
Regular investment	none	Regular investment	none	Regular investment	none
1993-2001	\$0.149	1993-2001	\$0.039	1993-2001	\$0.039
2001-2002	\$0.643	2001-2002	\$0.814	2001-2002	\$0.814
2002-2003	\$1.988	2002-2003	\$1.988	2002-2003	\$1.988
2003-2004	\$3.190	2003-2004	\$3.190	2003-2004	\$3.190
2004-2005	\$1.538	2004-2005	\$1.538	2004-2005	\$1.538
Total fees paid	\$14,658	Total fees paid	\$14,658	Total fees paid	\$14,658
Total investment	\$80,621	Total investment	\$80,621	Total investment	\$80,621
Savings	\$65,963	Savings	\$65,963	Savings	\$65,963

School Fees: They Don't Have to Hurt So Much

By Barbara Wall

MANY parents will be put off giving their children a private education because of the expense. But if you are based overseas on a long assignment the financial sacrifice may be worth it, if you want your child to receive an uninterrupted education in English.

With most annual fees now ranging from \$8,000 to \$10,000 (\$12,000 to \$15,000) in senior boarding schools, according to the Independent Schools Information Service, based in London, funding fees out of future current income may not be an option, especially when you consider that fees in the United States and Britain have risen, on

average, by 10 percent a year since the mid-1980s.

The fact remains that only 25 percent of parents plan school-fee payments in advance, according to a survey by the Independent Schools Information Service. Yet, funding school fees in advance out of a capital sum, income, or a combination of the two can reduce the final cost by half or even two-thirds, according to the report.

Few parents will save for all of the fees. Even if your investment plan covers a percentage of the cost, the fee burden will be considerably reduced. The illustration above shows how this can be achieved.

Traditionally, the most popular way of stretching income to provide school fees was to set up a series of endowment policies so that one policy matured for each year's fees. The most tax-efficient method for using such policies is to ensure that they run for at least 10 years. If school fees are due before the endowment surrender date, a loan can be arranged and secured against the surrender value of the

policy. Offshore investors can opt for a hybrid policy that may, at a later date, be converted into an offshore qualifying life policy.

If you have left it too late, or are simply unwilling to commit the money to school fees, you may feel more comfortable investing in an offshore unit trust or one of the money umbrellas funds operating out of Luxembourg or the Channel Islands. Although these policies are tax-free offshore, you may be faced with a tax bill in your host country. In some countries, Belgium for example, you can deduct the money used for fees for tax purposes.

"The advice given to U.S. foreign nationals has to be more circumspect due to their complex tax position," said Peter Lewison, a school fees specialist with the British accounting firm, BDO Bunder Hamlyn. "We tend to steer our U.S. clients away from collective investment vehicles towards direct investments in equities."

You can opt for an "off the shelf" school fee equity investment plan, or arrange your own investment portfolio in such a way that it

can be plundered for school fees when they are due.

Eagle Star International, among others, offers a range of offshore risk-rated investment funds that are geared toward school fee planning. They include guaranteed accumulation funds that are invested in triple A-rated Euro market securities, a low-risk blue chip fund, international funds from which you choose the level of investment potential that best suits your needs and a medium-risk performance fund that will include a proportion of fixed-interest stocks as well as international equities.

Most of the investment vehicles currently marketed under the school fee umbrella are straightforward savings plans that happen to be suitable for school fee planning. The exception to this is the educational trust, which capitalizes on the charitable status of some British schools to reduce the cost of these fees.

A capital sum is invested through an educational trust, and this buys a guaranteed annuity that is used to fund fees as they arise.

Income tax, deducted from the taxable element of annuity payments, can be reclaimed, but this could change under a future Labor government. There is also an inheritance tax liability that should be considered.

The market is full of weird and wonderful school fee plans with various whistles and bells attached. As most are a combination of straight-forward savings vehicles in gimmicky wrappings, you may find that your existing investment portfolio is flexible enough to meet the cost of private education.

"We often find that clients have existing investments which are overlooked in the panic to fund school fees. Remortgaging property in the client's home country may be all that is required to pay for your child's education," said a spokesman for Swire Fraser, an investment management company based in Britain.

Many schools are willing to offer discounts if the parents pay a capital sum in advance. The discount will depend on the amount paid and the prepayment date.

BRIEFCASE

Rare Chance for Philatelists At Auction in Switzerland

For stamp collectors and investors, it's almost like the Mona Lisa coming up for auction.

On Nov. 3 at the Hotel International in Zurich, Switzerland, the "Mauritius 1847 Post Office Issue Bordeaux Cover" will be sold by the philatelist auctioneer David Feldman SA. The cover (the philatelic term for an envelope to which a stamp is affixed), features both a "penny red" and a "two-penny blue" stamp, and is an acknowledged gem of the philatelic world.

Three other Mauritius 1847 "Post Office Issue" stamps, out of 21 known to exist, will also be sold, two of which have received preauction bids of \$1 million Swiss francs (\$675,000) each. Stamp experts said this week that while the overall stamp market is

struggling, a record price of \$4 million to \$6 million francs could be achieved this week for the Bordeaux cover, as a handful of major players are expected to vie for the rare Mauritius specimens.

Singer & Friedlander Opens Fund Holding Asian Shares

Singer & Friedlander Investment Funds, a London-based mutual fund firm, is launching a new fund investing in shares traded in Asian countries, but excluding Japan.

"With confidence returning to stock markets worldwide, and Western countries recovering slowly from recession, we expect to see major growth from Asia over the next few years," said Tony Fraher, managing director of Singer & Friedlander.

Minimum investment to the "Tai Pan" fund is £1,000 (\$1,500); initial charge is 4.5 percent, annual charge 1.5 percent.

For more information, write Singer & Friedlander, 21 New Street, Bishopsgate, London EC2M 4HR; or call London (44 71) 867 8771.

Micropal Bulletin Evaluates Funds In Emerging Markets

Investors seeking worthwhile information on the markets that the Singer & Friedlander fund, mentioned above, is investing in would be well advised to contact Micropal, a global fund-monitoring and economic research firm that has just published the latest edition of its Emerging Market Fund Monitor.

For more information write Micropal, Commonwealth House, 2 Chalkhill Road, London W6 8DW; or call London (44 81) 741 4100.

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SPORTS

It's Montana vs. Mitchell

Marino's Backup Should Keep Chiefs Alert

CHIEFS (5-1) at DOLPHINS (5-1): KEY STAT: Kansas City's Joe Montana needs eight completions to become fourth QB with 3,000 (Tarkenton, Fouts, Marino); Dolphins' 41 points vs. Colts most in a game since '87. **COMMENT:** This game was supposed to feature Montana vs. Marino but now it is Montana vs. Mitchell. This lefty quarterback is mobile, makes good decisions and is surrounded by flexible players that he can complement. Expect a Dolphins' quick start—they have outscored opponents 61-14 in the first quarter. Expect pressure on Montana—Miami has 10 sacks in its last two games. The odds are even.

COWBOYS (4-2) at EAGLES (4-2): KEY STAT: Cowboys' Troy Aikman is hitting 67.4 percent of his passes in league's No. 1 pass offense; Eagles Ken O'Brien in 11 seasons has 125 touchdowns, 96 interceptions. **COMMENT:** Dallas has won four straight games; it has a three-game win streak vs. Philadelphia. The Dallas offense is featuring balance and production while the defense is jelling. O'Brien should lift the

SAINTS (5-2) at CARDINALS (2-5): KEY STAT: Saints have won three straight over Phoenix by combined score of 85-31; Cardinals' Gary Clark has 18 catches and no touchdowns. **COMMENT:** "It's time for concern but it's not time for panic," said Saints coach Jim Mora after New Orleans dropped its second straight game, this one at home to Atlanta. New Orleans threw 45 passes and ran 12 times in that loss. The Saints must get back to a solid ground game, and quarterback Wade Wilson must capitalize on field position. Saints by 3½.

CHARGERS (2-4) at RAIDERS (4-2): KEY STAT: Chargers swept Raiders last season for first time since 1987; Raiders are only AFC West team that has not allowed Marion Butts a 100-yard rushing game. **COMMENT:** Not only has San Diego allowed the most points in the division (127) but it has also scored the fewest (84). Look for the Raiders speed at receiver and strength in the pass rush to swing the game L.A.'s way. The Raiders lead the league with 26 sacks, 10 by defensive end Anthony Smith. Raiders by 4½.

RAMS (2-5) at 49ERS (4-3): KEY STAT: Los Angeles has dropped five straight to San Francisco; 49ers lead NFL in first downs, averaging nearly 22 per game. **COMMENT:** In the 49ers' victory over Phoenix, Steve Young threw for 247 yards, two touchdowns and no interceptions, Jerry Rice caught nine passes for 155 yards and Ricky Watters ran 20 times for 95 yards. Quarterback T.J. Rubeley makes his first Rams' start. He has a strong arm but is overmatched in trying to keep pace with the 49ers' offense. 49ers by 13.

SEAHAWKS (4-3) at BRONCOS (3-3): KEY STAT: Seahawks are over .500 after seven games for first time in five years; Broncos' three losses came by total of 14 points. **COMMENT:** Denver is still smarting from a spanking by the Raiders two weeks ago. Of course, the Raiders won on a flustering, last-second, long field goal by Jeff Jaeger, but before that, the Broncos' pass protection collapsed. Seattle has a nice pass rush but nothing like the Raiders'. Denver must get more balls to rookie back Glyn Milburn. That will open rushing and passing lanes everywhere. Broncos by 8½.

LIONS (5-2) at VIKINGS (4-2): KEY STAT: Lions' Barry Sanders leads NFL in rushing and is 274 yards shy of 1,000; Vikings held Bears to 87 rushing yards on Monday night. **COMMENT:** First place is up for grabs in the NFC Central and Minnesota enters with a 10-game win streak in the division. Credit Vikings defensive coordinator Tony Dungy with again assembling a hard-hitting, opportunistic crew: the Vikings front four smashed the Bears and it will be critical in stuffing Sanders. When the Lions can't run, they look to receiver Herman Moore, but the Viking have the No. 1 pass defense in the NFL. Vikings by 4½.

REDSKINS (1-5) at BILLS (5-1): KEY STAT: Redskins' Brian Mitchell leads team in all-purpose yards with 613; Bills have allowed AFC-fewest 77 points. **COMMENT:** Buffalo has beaten Super Bowl foes Dallas and the Giants and now wants to complete the circle vs. the Redskins. You can expect Washington—with an extra week of preparation—is to put together its best game of the season since its Monday night win over Dallas in the season opener. The deafening Rich Stadium crowd noise in the final quarter will prove a key against the Washington offense. So will the running of Thurman Thomas. Bills by 9½.

BUCCANERS (1-5) at FALCONS (2-5): KEY STAT: Buccaneers safety Joe King is tied for the NFL lead in interceptions with three; Falcons' quarterback Bobby Hebert has eight TD passes and receiver Andre Rison seven TD catches. **COMMENT:** Coaches Sam Wyche and Jerry Glanville do not share a field without seeking to rub salt in each other's wounds. The Falcons have rediscovered their running game behind Eric Pegram and their defense has improved in two consecutive wins. The Falcons offense vs. the Tampa Bay defense is where the game is won for Atlanta and lost for Tampa Bay. Falcons by 9½.

NFL MATCHUPS

Eagles offense because he reads defenses better than Bobby Brister and is more patient. His mobility is lacking, however, and look for Dallas to blitz. Cowboys' receiver Michael Irvin vs. cornerback Eric Allen is the marquee matchup in this game. Cowboys by 10.

JETS (2-4) at GIANTS (5-1): KEY STAT: Jets in loss to Buffalo had four rushing first downs and allowed 12; Giants only team with different backs gaining consecutive 100-yard games (Rodney Hampton, Lewis Tillman). **COMMENT:** The Jets have no chance in this game unless they not only match the Giants in physical play but also rely on the running game first. That's what the Giants will do. Giants by 7.

BEARS (3-3) at PACKERS (3-3): KEY STAT: Bears are 3-0 when winning turnover war, 0-3 when losing it; Packers kicker Chris Jacke is 11 of 12 in field goals. **COMMENT:** Not only did the Bears offense do a club record by allowing nine sacks in its Monday night loss to Minnesota, but it was also thoroughly outplayed by the Vikings. In nearly half of its plays, Chicago either lost yards or barely reached the line of scrimmage. Sure, sloppy line play is at fault, but also, obviously, the wrong plays were being called. Watch Packers' receiver Sterling Sharpe, a game-breaker fresh off a four-touchdown game vs. Tampa Bay. Odds-makers have made the Packers 6-point favorites.

PATRIOTS (1-6) at COLTS (2-4): KEY STAT: Patriots have allowed scores on all 21 possessions inside the 20; Colts' Jeff George has two of five career 300-yard passing games vs. Patriots. **COMMENT:** The Indianapolis offense is surging under George. It had three touchdowns in its first five games and then four, with George starting, in its loss vs. Miami. George looks for more and against the New England defense, he is looking in the right place. Colts by 7½.

These matchups were written by Thomas George of The New York Times. Odds were provided by Harrah's.

Pitt Provides Relief at Last for Coach Majors

EAST RUTHERFORD, New Jersey — Johnny Majors avoided what would have been the longest losing streak of his 26-year college coaching career as Pitt snapped a six-game slide with a 21-10 victory over Rutgers.

Majors had lost six straight twice before, mostly recently in 1988 when Tennessee dropped its first six games. On the other occasion, Iowa State dropped the final five games in 1968 and the opener in 1969.

On Thursday night, the Panthers (2-6, 1-3 Big East) forced four turn-

overs by Rutgers (4-4, 2-2) and made two excellent defensive stands early when the Scarlet Knights had great field position. Rutgers managed three points early and the Panthers came back to score the next 21 points with freshman Billy West sandwiching two short TD runs around a 3-yard scoring pass from John Ryan to Junior Green.

West, subbing for injured Curtis Martin, gave the Panthers a 21-3 lead with a 2-yard drive on the opening series of the second half.

Ray Lucas, who split time at

quarterback with Bryan Fortney, got Rutgers back into the game on the next series with a 40-yard scramble for a TD after a voiding a sack.

The Scarlet Knights, who hadn't had a turnover in their last four games, got the ball inside the Pitt 30 on its next four possessions but failed to come up with points.

Both of Pitt's victories have come on Thursday night on the road against heavily favored opponents. The other was a season-opening 14-10 surprise over Southern Mississippi.

A Name Game Over Baseball's New Commissioner

By Murray Chass

New York Times Service

NEW YORK — With the names of supposedly prospective candidates beginning to surface, the man most baseball club owners want as their next commissioner has reiterated that he does not want the job. Despite reports to the contrary, Bud Selig said he has not changed his mind.

"That is absolutely not correct," Selig, the acting commissioner and owner of the Milwaukee Brewers, said Thursday when told that people close to the owners said he was prepared to take the job. "My position has not changed. I don't know why anyone would say it has, certainly not by anything I've said or done."

U.S. Olympic Committee executive director Harvey Schiller wasn't saying anything, but New York Yankees owner George Steinbrenner said Schiller was "under consideration

for the position. One person said Schiller was told that he is one of three finalists.

Steinbrenner, who is not a member of the committee but is a vice president of the USOC, said of Schiller: "He's a doer. He's a get-things-done guy. He's been a tremendous executive director."

"I'm not going to say anything," Schiller said when asked about the reports.

William Bartholomay, chairman of the committee searching for a commissioner, said the committee was working with a list of six candidates.

Early last month, he said the list was down to five or six names but that it could change. He said Thursday that four of the names remain the same, but two are new.

"We're into deep background checks now," Bartholomay said. "We're having smaller, more active one-on-one meetings with prospective candidates. We're still on a

timetable to have someone by early December or thereabout."

He acknowledged that a woman was on the list, but he wouldn't identify her as more than he would anyone else. Lynn Martin, a secretary of labor in the Bush administration, has been widely mentioned.

Two people out in baseball but with close ties to owners said earlier this week that Selig was now prepared to take the job that has gone unfilled since Fay Vincent resigned under pressure nearly 14 months ago.

Further, according to those people and another person in baseball, Bartholomay would become deputy commissioner to balance the representation of the American and National Leagues in the commissioner's office. Selig's Brewers are an AL team and Bartholomay is chairman of the Atlanta Braves of the NL.

"That's the first I heard of this," Selig said

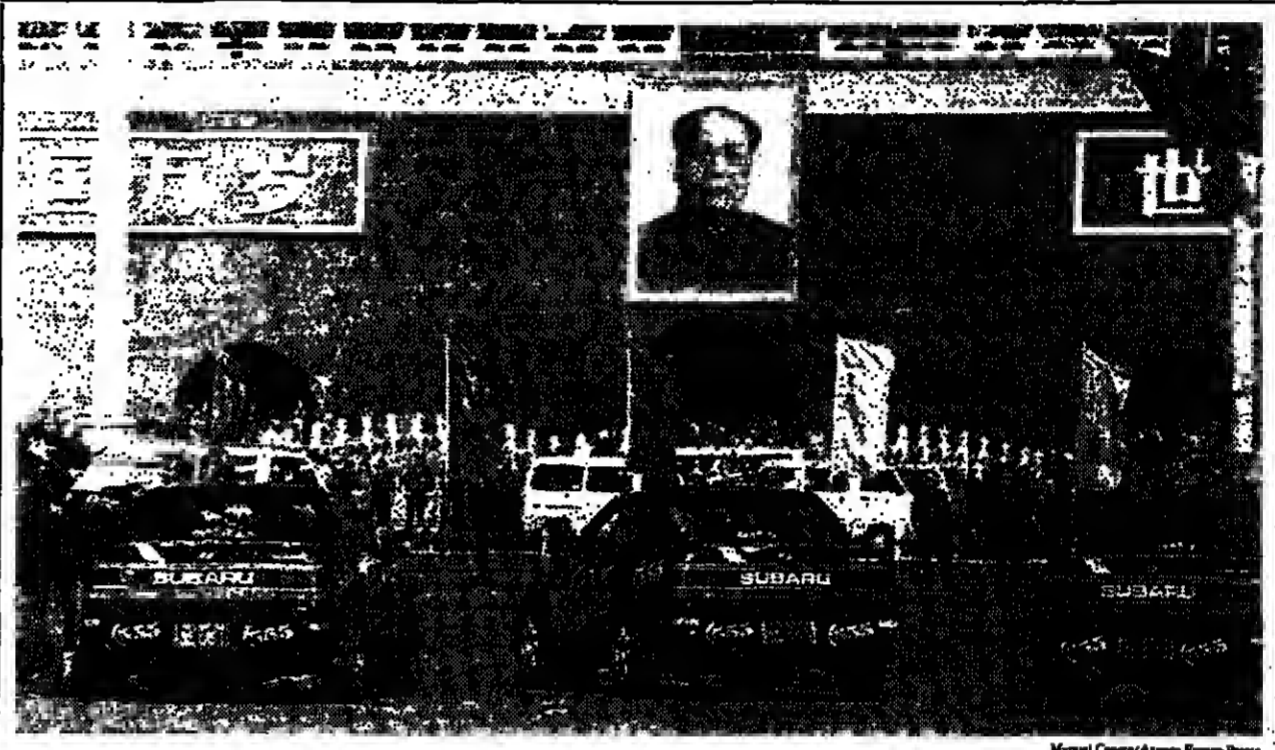
of the Bartholomay part of the report. Bartholomay also said he was hearing it for the first time, saying, "I'm not even sure we're going to have that office."

During the owners' meetings in Boston last month, Bartholomay said that if Selig wanted the commissioner's job, he would quickly be approved.

"Absolutely," Bartholomay said Thursday when asked whether that view still held. "I think he's doing a great job. There's no doubt he has tremendous support for becoming our next commissioner officially."

Other names that are mentioned most widely as possible candidates are Dick Ebersole, president of NBC Sports; Paul Kirk, former chairman of the Democratic National Committee; and Richard Thornburgh, a former U.S. attorney general.

More precise information has not emerged from the search committee.



CARS AND THE CHAIRMAN — The Hong Kong-Beijing rally ended Friday on Tiananmen Square beneath Mao's portrait, with a one-two-three finish for Subaru, led by Ari Vatanen of Finland. He took the lead Thursday after trailing for most of the 3,865-kilometer rally, and won in 5 hours, 13 minutes, 40 seconds, ahead of Scotland's Colin McRae and New Zealand's Possum Bourne.

Top Rookie In AL: Angels' Tim Salmon

ANAHEIM, California — Tim Salmon, a can't-miss prospect who lived up to his billing, has been unanimously voted American League Rookie of the Year, the first California Angels player to win the award.

Salmon, a third-round selection by the Angels in the 1989 amateur draft, hit .263 with 55 RBIs and 31 homers, tied for ninth in the AL.

Chicago White Sox pitcher Jason Bere was runner-up.

Salmon joined Mark McGwire (1987), Carlton Fisk (1972) and Sandy Alomar Jr. (1990) as the only AL rookies to win unanimously.

"Going into spring training, I wasn't trying to reach any marks," Salmon said by telephone from Hawaii, where he's vacationing. "I wanted to get my feet wet, get a rhythm going, get myself comfortable in the box every day."

"This is something you dream about achieving, maybe after four or five years in the game, but got in my rookie year."

Salmon missed the final two and a half weeks of the season: An inning after hitting a grand slam in the Angels' 15-1 rout of Seattle on Sept. 15, he broke his left ring finger while fielding a line drive.

He came up to the Angels after hitting .347 in 1992 at Edmonton, leading the Pacific Coast League in homers with 29 and RBIs with 105.

He hit just .177 in 23 games with California in June 1993, but was assessed a starting spot in their outfield for 1993.

3 Rounds of Blows for Women's Rights

EDMONDS, Washington — Dallas Malloy wanted to prove a point by being allowed inside a boxing ring. Heather Poyner applauded Malloy's battle for equality.

On Saturday night, Malloy, 16, and Poyner, 21, will meet in the ring at Edmonds Community College in a boxing first: They will be the first women to compete in a sanctioned amateur boxing match in the United States.

Both combatants predict a lively fight. They will box three two-minute rounds.

"I love this sport," said Malloy, whose father's name is McCleery but who has changed her name to that of a movie boxer. "I haven't gotten in the ring yet, but I know it's going to be exciting. I love to compete and I love to win."

"I've been nervous for the last month but I'm ready, very ready," Poyner said. "I'm not scared. I don't fear anything or anybody. I want to do so well. I have high expectations."

Malloy is a high school dropout from Bellingham, and Poyner is a former high school cheerleader and volleyball player from Lynden.

It was not easy getting the fight approved. Malloy had to enlist the aid of the American Civil Liberties Union to win her first fight, the biggest one, when the U.S. Amateur Boxing Association refused to send her an application

for membership because she is female. As a nonmember, Malloy could not compete in the Pacific Northwest Amateur Boxing Association. The ACLU and a Seattle lawyer, Suzanne Thomas, filed a suit on Malloy's behalf in March against the International Amateur Boxing Association, USA Boxing and the Northwest Boxing Council.

The trial is scheduled for Dec. 20, but USA Boxing's governing body voted this month to establish a boxing program for women.

"That was a great victory," Malloy said. "It took a long time, but it was something I felt I had to do. I feel proud I was the person who did it and it's all over. Now, no one else has to do it."

"Dallas wasn't looking for any personal gain other than to get into the ring. She knew what the roadblocks were, but she was willing to fight the roadblocks."

Malloy, who stands 5 feet, 4 inches and weighs 139 pounds (1.62 meters, 63 kilograms), quit Schone High School after her sophomore year because she felt she was not learning anything. Her father, Jim McCleery, is director of information technology at Skagit Valley College in Mount Vernon.

Malloy said she first began having thoughts of getting into the ring 18 months ago. And when she saw the movie classic "On the Waterfront," in which Marlon Brando plays a boxer named Malloy, she had her name legally changed.

Poyner does not think Malloy has an edge in ring experience, although Malloy has been training in the ring for 18 months and Poyner did not begin training for her first fight until July.

"But I've been doing martial arts and kick boxing for the past three years," Poyner said, "and kick boxing is almost identical to boxing because it's about 75 percent hands."

'I love this sport. I haven't gotten in the ring yet, but I know it's going to be exciting.'

Dallas Malloy

DENNIS THE MENACE

PEANUTS

BLONDIE

BEETLE BAILEY

DOONESBURY

WIZARD OF ID

REX MORGAN

CALVIN AND HOBBS

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DAVE BARRY

Cowports and Brooms

MIAMI—Lately a lot of media attention has been focused on the Midwest, so I felt that it would be a good idea to go out and personally review the situation in the Midwest. Here is my report:

FRIDAY: I arrive in Champaign, Illinois, and proceed to the University of Illinois agriculture school, where I am greeted by Dan Weber and Jeana McAllister, who wrote me a letter claiming that the university has cows with research port-holes installed in their sides.

Dan and Jeana introduce me to George Fahy, professor of animal sciences, who informs me that the holes are installed because scientists are very interested in finding out what goes on inside the cow digestive system.

Fahy leads me to a cow named Fussbudget, who is very large, a cud-chewing aircraft carrier. In Fussbudget's left side is a port-hole, maybe eight inches in diameter, with a rubber plug in it. Fahy tells me that Fussbudget doesn't mind the port-hole, but I'm not so sure. If I were a huge hoofed animal, and humans had put a port-hole in my stomach, I'd PRETEND not to mind, but I'd definitely be plotting to stamp some random human until he had no more skeletal structure than a bag of grits.

"What gender is Fussbudget?" I ask.

"He used to be a boy," says Laura Bauer, a lab technician.

So Fussbudget has TWO reasons to want revenge.

Now Bauer is removing Fussbudget's plug. And now she is REACHING INTO THE HOLE.

"You can see what he just ate," says Bauer, pulling out some dark-green material.

"Gack," I remark.

But it's clear that these people expect me to put my hand inside the cow. I put on a long plastic glove and approach Fussbudget, who is eyeing me with a giant cow eyeball.

Squinting hard now, I stick my hand into the mass of dark-green glop. It feels, to use a scientific term, really yucky in there. It's also warm. In fact, it's almost HOT.

Plus, I can smell methane. Feeling an explosion (scientists call this "The Big Moo"), I pull my arm out.

This is when Tom Nash, manager of the Beef Research Farm, tells me about a recent incident wherein a 4-H club was checking out Fuss-

budget's interior, and Fussbudget coughed, and a young man standing in front of the port-hole was covered with stomach contents.

"If he had a date that night," says Nash, "he didn't anymore."

I leave the University of Illinois with a new appreciation of the benefits that agriculture will someday provide, especially in the field of interrogating captured spies.

SATURDAY: I am now 30 miles down the road in Arcola, Illinois, to attend the annual Broom Corn Festival and march in the Broom Corn Parade with Arcola's world-famous Lawn Rangers, a top precision lawn mower drill team. This is my third year as a Ranger. I've tried to talk my wife into going to the festival with me, but she resists.

"It's just a bunch of guys who drink beer and push lawn mowers around and act juvenile," she says.

"Yes!" I say.

Anyway, the Rangers do more than just "push lawn mowers around." We also carry brooms, and we perform precision broom-and-lawn-mower maneuvers. Plus, this year we are marching with — get ready — a 10-foot-high painted concrete statue of Elvis. It belongs to Clark and Sandy Stafford of Seneca, Illinois, and it is available for rent. It's mounted on a trailer, facing backward, and it weighs 5,000 pounds, almost as much as the King himself near the end.

It's difficult, using mere words, to describe the scene as the Rangers, more than 50 strong, stride in two columns down the parade route, pushing our mowers in front of us, raising our brooms on high at the command "Brooms Up!"; meanwhile, bringing up the rear, glinting in the Midwestern sun, is Elvis's giant concrete hot.

VERY EARLY SUNDAY MORNING: After an evening of fellowship with the Lawn Rangers, I return to my room at the Arcola Inn, which is also where Elvis is staying. Looking out my window, I can see him on his trailer, gazing into the distance, as if waiting for somebody to deliver a giant concrete pizza. I reflect back on my trip — on Elvis, the Lawn Rangers and Fussbudget the cow. Things are good here in the Midwest. Weird, but good.

Knights-Ridder Newspapers

Gielgud, 89, Reflects on Theatrical Reign

By Mel Gussow

BUCKINGHAMSHIRE, England — Sir John Gielgud is surrounded by echoes and reverberations from his past. A long afternoon's conversation in his baronial home flows from Kenneth Branagh to Sarah Bernhardt, doubling around two world wars and crisscrossing a lifetime in the theater. With his precise, vivid memory, he carries with him the history of the English theater in the 20th century.

The actor's fifth "King Lear," a radio production directed by Kenneth Branagh, is scheduled to be broadcast by the BBC on April 14, Sir John's 90th birthday. Other plans are afoot to honor him that day, including a tribute at the Haymarket Theatre in London, all of which he has actively discouraged: "I said, don't celebrate. If I can manage to go on working, it's much more interesting. One of the things one does enjoy in old age is being able to make excuses out to do things you don't want to do."

It was almost 20 years ago that Sir John moved out of London to his home near Aylesbury for the serenity and solitude of the country. The actor does not miss London, with its reminders of his personal losses. "Every street in London is full of memory," he says. "I've lost so many dear friends — Peggy Ashcroft, Ralph Richardson, Laurence Olivier, Michael Redgrave. Looking back his emotion, he adds, "Thank goodness Alec Guinness is going strong." The poignance is especially keen for someone like Sir John, for whom the theater has always been a family.

His house, which was built in the 17th century and once belonged to Sir Arthur Bryant, the historian, is Sir John's own. Brideshead, the flourishing garden is decked with flowers, trees and statuary. A peacock strides the grounds, like its elegant master, who remains slender and stately, unbowed by his years. While Sir John enjoys the seasonal changes of his garden, he keeps his distance from the horticulture. The garden is the invention and preserve of his companion, Martin Hensler.

Walking through his ornate sitting room, he heads for a small snug room under a balcony. Though he wears a tweed jacket, a sweater and corduroys, he is chilled by the early fall air and turns on a heater in the fireplace. His Tibetan terrier bark in the background, but soon a quiet settles over the house. Sitting on a small sofa, Sir John lights the first of many filtered Turkish cigarettes.

He says that he has few interests outside his profession and that those mostly overlap with theater. He reads three or four



Sir John Gielgud relaxes at his baronial home in Buckinghamshire, England.

books a week and is as addicted to show business biographies as he is to Anthony Trollope. He devours the theater reviews in the London newspapers. In his eighth decade as an actor, he is still stage-struck.

A large television set dominates the room, and Sir John says he often watches it when he is at home between acting assignments. His favorite show? "Cheers." When it is suggested that if the "Cheers" people had known about this predilection, they would have certainly invited him to drop by the bar, he says that he had actually been waiting for a call from his other favorite, "Dynasty."

Since his last stage performance, in "The Best of Friends" in 1988, he has concentrated on film and television. He recently spent three days acting in the British television series "Lovejoy" and made an appearance as a rare book dealer to a Disney detective thriller called "Stick With Me, Kid."

"I've got a new agent," he says. "Maybe he thinks it's important to make a little money out of me before I go."

Reminded that his first acting teacher told him he walked "like a cat with rickets," he says: "I had terrible trouble with

my movement when I was young because I never did any sports. I can't swim. I can't ride. I should have forced myself. And I got much too fond of my voice. I sang all my parts."

With a laugh, he recalls his famous response to Michael Hordern when Hordern asked him for advice on how to play Lear: "All I can tell you is get a light Ophelia." Ophelia? He quickly corrects himself: "Cordelia." When Robert Stephens's recent performance as Lear at Stratford-upon-Avon was mentioned, he said, knowingly, "He had somebody else carry her on."

For Sir John, theater has always been a group activity. It is a reason he also had mixed feelings about his virtuosic one-man evening of Shakespeare, "Ages of Man," which he began touring in the late 1950s. It was, he says, lonely.

Looking back at the beginning of his career, Sir John talks about his first silent film, in 1925, "Who Is the Man?" in which he played a dope fiend, a role originally performed on stage by Sarah Bernhardt. That, he says, "was the most ridiculous part I played on screen."

Sir John is famous for his faux pas, which have been called Gielgud bloopers. Many years ago, while having lunch with the playwright Edward Knoblock, he said about a man entering the restaurant, "He's the biggest bore in London, second only to Edward Knoblock." Then, realizing whom he was with, he said, "Not you, of course. The other Edward Knoblock."

"I'm terribly impulsive and speak very quickly and impetuously," he says. "I don't mean to hurt people. I don't do it maliciously. But I do put my foot in quite a good deal."

When he is not working, he "passes the time rather agreeably, as long as one doesn't brood too much about death and the unhappy things of one's life," he says. "I get moments of great depression," he continues. "Fortunately, I've had very good friends who have been critical of me. They haven't flattered me too much so that I acquired a sense of my own importance. That's a danger for an actor."

"If you've lived through two wars as I have, it makes you feel what an unimportant, small thing theater is. I couldn't discuss Bosnia or South Africa, but I do watch the news on television. Terrible news. It seems to be that my boyhood days in the Edwardian era were halcyon days."

Putting on a jacket and placing a cap on his head, he walks outside to his garden. His face seems ruddy in the late afternoon light. Stopping on a path, he gazes into the distance and says: "I was all nerves when we came here. A wilderness! And they have carved out an empire."

The country squire suddenly looks like a king surveying his kingdom.

PEOPLE

New Mexico Rap Lovers Disarmed by Dr. Dre

The rap artist Dr. Dre and his mellow-toned partner, Paul Rosenberg, all had the same disarming effect on music-loving gun owners, who were given the chance to trade firearms for free concert tickets in Albuquerque, New Mexico. Dozens of guns were turned in for tickets in a no-questions-asked deal.

Britain's fashion glitterati turned out to honor Eleanor Lambert, 90, the American fashion arbiter who started the International Best Dressed List in 1940. She received an award from the London Businesswoman's Network.

With nationalist emotions running high two weeks before a referendum on whether Puerto Rico should remain a U.S. Commonwealth, seek to become a state, or become independent, the island's liberties with the island's flag have created an uproar. The legislature condemned her for carrying herself with a flag at a concert earlier this week. David Noriega, an Independence Party legislator, called her action a "monumental lack of respect for our country."

When filming begins next month in the Florida Keys on Arnold Schwarzenegger's new movie, "True Lies," producers will be bending over backward to pass muster with Florida's environmental regulators. The Keys are a national marine sanctuary, and as a result, a car that is to driven over the side of a bridge will be first steam-cleaned and sealed to prevent leaks of oil or fuel, then lifted out by barge, out dragged across sea grass.

Ann Landers and Dr. Ruth have some advice for lovers. Landers advocates masturbation as a "safe and safe alternative to intercourse" for people concerned about AIDS. Dr. Ruth, campaigning against the spread of hepatitis B, advises, "People should have a relationship before they go to bed together. You ought to know the person you wake up in the morning with."

INTERNATIONAL CLASSIFIED
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WEATHER

Table with weather forecasts for Europe, Asia, Africa, and Latin America. Columns include location, today's high/low, and tomorrow's high/low.

POSTCARD

In Pisa, Pile of Lead Is Taking Lean (a Bit) Out of Tower
By Alan Cowell
New York Times Service
PISA, Italy—It might be termed a triumph of physics and engineering over time and gravity. It might also be called something of an eyesore.

PEOPLE

Continuation of the 'PEOPLE' section from the top of the page, including items about Dr. Dre, Eleanor Lambert, and environmental issues in Florida.

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Large advertisement for AT&T international calling. Features the headline "I wonder if the little guy had fun today?" and a list of international access numbers for various countries. Includes the AT&T logo and a small image of a person.

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